THE Freeman

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SEPTEMBER 1967

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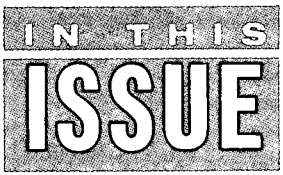

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Anyone wishing to communicate with authors may send first-class mail in care of THE FREEMAN for forwarding.

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LEONARD E. READ *President,* Foundation for Economic Education

PAUL L. POIROT *Managing Editor*

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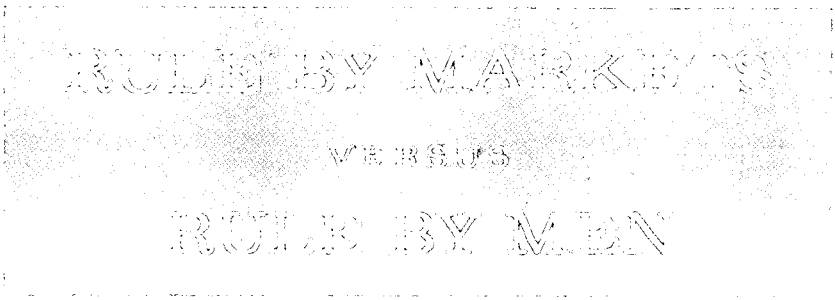

YALE BROZEN

Practically every individual has some advantage over all others because he possesses unique information of which beneficial use might be made, but of which use can be made only if the decisions depending on it are left to him or are made with his active cooperation.

F. A. HAYEK

MARKETS do an unbelievably detailed and effective job of utilizing information drawn from millions of individuals. They digest the information, signal the appropriate action to be taken in utilizing the available economic resources, and motivate individuals in the most remote corners of the world to take the necessary action.[1] Markets are also the most democratic institution operating in the world today. They minimize tyranny, maximize opportunity, and eliminate special privilege.[2] And free markets are the most efficient means for accomplishing both of these objectives.

In contrast, the attempts of a *few* men using the power of the state to order economic affairs have

[1] Friedrich A. Hayek, "The Use of Knowledge in Society," *American Economic Review*, September, 1945; reprinted in *Individualism and Economic Order*, (Chicago: University of Chicago Press, 1948).

[2] Harold Demsetz, "Minorities in the Market Place," *North Carolina Law Review*, February, 1965; Milton Friedman, *Capitalism and Freedom* (Chicago: University of Chicago Press, 1962), Chap. VII.

Dr. Brozen is Professor of Business Economics, Graduate School of Business, University of Chicago. This article is a condensation of his address to the trustees and guests of the Foundation for Economic Education, May 15, 1967.

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produced ludicrous spectacles of misallocated resources manifested in forms such as monuments masquerading as steel mills and power dams which frequently do as little for their economies as the great pyramids of Egypt. The attempts of men to rule economic affairs have been accompanied by or resulted in the most despicable tyrannies in which "terror, sadistic cruelty, and constant insecurity have been the lot of all save a privileged few."[3]

Rather than dealing with these propositions at a general level – a task which has already been effectively performed by Mises, Knight, Hayek, Jewkes, Wright, and others in recent years as well as by eminent predecessors–this paper analyzes specific instances of the operation of the invisible hand. These are drawn primarily from American experience, although it should be kept in mind that other economies provide striking examples, some of which I will mention. Even the Union of Soviet Socialist Republics, once the great enemy of market methods, is rediscovering the efficiency of markets as contrasted to the inefficiency of men in guiding economic activity. Determining the appropriate goods to produce and the appropriate technology to apply in production and motivating the efficient production of the most efficacious goods is too complicated a task for central planning. The days of central determination of production quotas, of technology, and of pay and profit rates are beginning to fade in Russia because of the cumbersomeness and the ludicrous inefficiency of that system of coordinating economic activity.

The Russian attempts to motivate high productivity and output by rewarding output in excess of a quota of X *pounds* of nails, for example, led to a large output of spikes and roofless houses for want of shingle nails. A shift to a quota of Y *number* of nails resulted in a great output of tacks and loose rails for lack of railroad spikes. Also, the fiction produced as accounting records in order to earn bonuses became an open scandal.

Market Coordination to Meet Unpredictable Needs

In this country, the extraordinary capacity of the invisible hand to coordinate economic activity, particularly where the coordination must occur in a complex and unpredictable situation, is implicitly recognized in some of our regulatory legislation. The transportation of agricultural commodi-

[3] John Jewkes, *Ordeal by Planning* (New York: The Macmillan Company, 1948).

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ties by truck is exempt from regulation. Only the free market provides the service required at the times needed at minimum cost.[4] For this reason, agricultural interests insist that their shipments by truck be exempt from regulation. They learned from their nineteenth century success in putting railroads under regulation that service is worsened and rates increased by such controls.[5]

The regulated set of enterprises operating in agricultural transportation demonstrate by their behavior what enormous losses of produce would occur and what costs would be incurred if all agricultural commodity haulage were centrally controlled or regulated. Shortages of grain cars and the resultant necessity to store grain in the open with the consequent spoilage are a recurring phenomenon. This is a result of the regulation of railroads – a phenomenon which would not occur in the absence of regulation.

It is fortunate that truck movements of agricultural commodities are exempt from regulation. Otherwise, we would find ourselves in the Brazilian situation where one-third of the crops produced in the interior rot for lack of expeditious and adequate transportation.[6]

Expediting the Harvest

A crisis in the wheat harvesting season in 1952 illustrates how open markets can meet even very short term emergency situations. The market did a job at that time which could never have been handled by central planning or by regulation as expeditiously or as efficiently.

Unusual weather in late May and early June ripened almost all of the 15 million acres of Kansas wheat simultaneously by the middle of June. Usually, wheat ripens about the middle of June in south central Kansas. The custom cutting crews with their combines begin harvesting there and move toward west and north Kansas in July, finishing in the northern and western areas in August and September.

[4] The contrast between the costs of transportation under regulation and that in a free market is shown to be very marked indeed in an analysis of experience under the two sets of conditions by Stewart Joy, "Unregulated Road Haulage: The Australian Experience," *Oxford Economic Papers*, July, 1964.

[5] George W. Hilton, "Barriers to Competitive Ratemaking," *I. C. C. Practitioners Journal*, June, 1962; Paul W. MacAvoy, *The Economic Effects of Regulation: The Trunk-Line Railroad Cartels and the Interstate Commerce Commission Before 1900* (Cambridge: The M. I. T. Press, 1965).

[6] J. K. Dunn, "Grain Storage Needs in Brazil," *Brazilian Technical Studies* (Washington: Institute of Inter-American Affairs, 1955), p. 395.

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With almost all of Kansas ready to be harvested by June 16, in 1952, it appeared that only a few farmers would be able to get their wheat in before losing their crop to hailstorms, fire, wind, and other causes. "At this point, the pull of the price mechanism came into action, as the services of available machines were snapped up at rates of four to five dollars an acre (as compared to the usual three dollars an acre). Across the prairies the long distance telephones were busy; . . . spot radio announcements of 'combines urgently needed in Kansas' . . . at generous prices [were sponsored].

"Unsold combines disappeared from dealers' lots all the way to Canada; and from Texas to the Dakotas farmer-operators dropped their farm work, loaded their machines, and set out for Kansas. Added to the solid core of some 3,500 full-time professionals . . . came almost 5,000 extra outfits eager to dig their cutter bars into wheat at four and five dollars per acre. They came just in time and in just ample quantity. Almost no machines were to be seen waiting for jobs, yet in almost every field there was at least one big combine knifing its dusty way through the wheat."[7]

[7] C. M. Williams, "Enterprise on the Prairies," *Harvard Business Review*, March-April, 1953.

The market mobilized equipment and manpower from the far corners of the country in an amazingly short time to meet the emergency. It mobilized those pieces of equipment and that manpower which occasioned the least sacrifice of alternative product. It avoided ordering equipment and manpower into the crisis area which would have entailed unduly large costs and sacrifices. Could any central planning bureau do nearly as well? Could any set of regulations of price or usage have done anything but reduce the expeditiousness and efficiency with which the job was done?

The story of India's attempt to improve agricultural practices illustrates the point by an opposite experience. In 1959, agricultural agents were sent out by the government to persuade farmers to adopt new practices to improve their yields. The agents did an outstanding job of persuading farmers to prepare their fields for the use of new seed varieties and for the application of fertilizers. Unfortunately, the seed did not arrive on time and the fertilizer was delivered to the wrong places. Fields went unplanted with considerable damage to peasant income and the Indian food supply.

A complaint made during the late April 1965 floods along the Mississippi in Illinois illustrates

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the power of the market to direct activity to meet crisis situations. The city engineer of Rock Island complained that sand bags were being trucked into the area threatened by flooding and offered at 15¢ per bag. He felt that such profiteering should not be permitted since the price before the flood threat occurred was 12¢ per bag. One may wonder how he would have felt if no one had anticipated the great demand for sand bags or been motivated to truck them in. How would he have protected the property for which he was responsible if no sand bags had been supplied? He had not prepared for the emergency by accumulating an inventory of bags, but the market remedied his lack of foresight.

While impersonal markets succeed in coordinating activity even to meet short term, unpredictable emergencies, central planning by men often fails to meet predictable, longer term needs. The Indian situation cited above is one illustration. Another is that described in an April 28, 1965 U.P.I. story from Moscow based on information in *Pravda*. The newspaper lamented that several 16-story apartment houses in suburban Moscow were finished, but nobody could move in. No elevators! The situation was not unique to Moscow. *Pravda* said that "in many cities of the country tall buildings are being put up and everywhere there is a shortage of elevators."

Market Coordination in Changing Circumstances

However, let us turn to the coordinating and directing power of impersonal markets in a situation which is not a short-term harvest crisis or flood threat. Let us take the somewhat longer period from 1939 to 1946 when the American economy was dominated by the necessity of mobilizing for war and demobilizing on the return of peace. One group of industries was completely dominated by this set of circumstances. The munitions industries (as segregated by the Census of Manufacturers and the Bureau of Internal Revenue) doubled its capital in 1940, again in 1941, and in 1942 quadrupled its capital. In 1939, assets in the munitions industries were $0.6 billion; in 1943, they amounted to $13.4 billion. The subsequent decline was equally abrupt; within three years the capital of the munitions industries had fallen to $2.4 billion.

The magnificent response of the munitions industries to war demands and their subsequent rapid adjustment to the decline in demand was a result of the effectiveness of the profit incentive. Some may think that the directives of

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the War Production Board produced this result. These people should talk to the men who staffed the War Production Board. The WPB found that the stick could slow production and asset formation in some lines of production, but the carrot had to be dangled to obtain increased production. The actual profit record—the incentives which produced this result—is shown in the table below.

Average Rate of Return

Year	All Industries	Munitions
1941	8.56%	11.67%
1942	7.30	12.12
1943	7.30	9.65
1944	6.59	6.18
1945	5.43	4.39
1946	8.13	—2.65

Source: G. Stigler, **Capital and Rate of Return in Manufacturing Industries,** (Princeton University Press for the National Bureau of Economic Research, 1963), p. 36. Rates of return in the munitions industries are on midyear assets except 1946.

As long as the rate of return in munitions exceeded that in all industries, the assets of the munitions industries increased without detailed direction from the men in Washington. After 1943, when the rate of return in munitions fell below that in all industries, assets employed in these industries decreased.

Following World War II, the American economy shifted from war to peace with relatively greater ease than the European economies, despite the lack of direction from governmental authorities. England and other countries which used government boards to redirect resources, and price controls and rationing to prevent chaotic consumer markets, had much greater difficulties (aside from those caused by war damage). Areas in which governmental controls in the United States were continued, such as housing, suffered from the same difficulties common in Europe.

Wartime and Postwar Adjustments

No one told the managers of U.S. enterprises which products they should produce. How, then, did we avoid the calamity of too many firms rushing into some industries and not enough into others in the shift from war to peace production? The market mechanism, profit, and other income incentives did for us the job which state planners attempted to do in other countries. Where products were in short supply relative to demand, prices went up, profits were attractive, and capacity was built or shifted to meet needs. Where products were available in relatively more than adequate quantities, prices dropped, profits declined or turned into losses, and labor and other capacity were released to alternative uses.

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Differences among rates of return on capital not only attracted capital from the low-return to the high-return industries; they also attracted labor. High-return industries attracting capital bid for labor to operate the additional capital equipment. Low-return industries, producing goods for which consumers were not willing to pay much, could not afford to meet the bids of the industries producing the preferred goods.

The more rapidly expanding manufacturing industries grew by producing goods relatively more attractive to consumers in design and price. By improving design, raising productivity, and cutting price they made themselves profitable to both their suppliers of capital and to their labor force. The more profitable industries were also high-wage industries. The four highest-return industries paid wages exceeding $5,000 annually (1957). They were bidding labor as well as capital away from the industries producing less preferable goods. The four lowest-return industries paid wages under $4,000 annually and were losing labor to the high-wage industries.

In a few industries, men rather than markets set wage rates. In these industries, job opportunities were restricted by the overpricing of labor. Coal-mining was a prime example of undue increases in wage rates with a consequent loss of jobs and movement of people out of high productivity work into low productivity occupations, the reverse of the movement which occurs in free markets. In the mid-forties, coal wage rates were 18 per cent above factory rates and 380,000 men were employed. By 1960, wage rates had been pushed to 40 per cent above now higher factory rates, job opportunities decreased to 170,000, and we became concerned about unemployment in Appalachia.

Regional Adaptation

Higher incomes in free markets act as an incentive to owners of resources (labor and capital) to move their resources not only to the industries where they produce the most desirable products, but also to the regions where they will be most productive. As we can see in the accompanying table, per capita income in Southeast United States in 1929 was only 52 per cent of the national average. Evidently, people in this region were only about half as productive as the average U.S. resident. This was partly because of lack of capital for each industrial or other worker, partly because of regional handicaps such as poor markets and transportation, and partly because of lower levels of skill. On the other hand, Mideast U.S. per

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capita income was 138 per cent of the national average. Evidently, there were very productive uses for labor in this area.

Regional Per Capita Personal Income
(as Percentage of U. S. Average)

Region	1929	1966	Relative Change
Midwest	138	113	−18%
Far West	129	115	−11%
New England	125	110	−12%
Great Lakes	114	109	− 4%
Rocky Mountain	85	91	+ 7%
Plains	81	96	+18%
Southwest	67	85	+27%
Southeast	52	77	+48%

The average U. S. per capita income, in terms of 1966 prices, was $1,370 in 1929 and $2,950 in 1966. Source: **Survey of Current Business,** April, 1967.

Workers migrated from the Southeast to the areas where their labor could be used more productively. This movement left fewer workers on the land. The increase in land per farm worker raised productivity. Capital migrated into Southeast U.S. and made its contribution to increased productivity. Proportionately, more investment was made in the Southeast than elsewhere since labor could be bid away from the inferior alternative uses at lower costs. As a consequence, per capita income in the Southeast rose to 77 per cent of the national average by 1966 in spite of a great rise in the national average which occurred simultaneously.

A Voluntary Response

The voluntary movement which has occurred out of the Southeast U.S. and into regions such as the Far West may be contrasted with the involuntary movements forced upon people by the men operating the Resettlement Administration in the 1930's. An illustrative story is the experience of a group of Ozark tenant farmers. Their farms were bought by the Resettlement Administration. They were told the farms would no longer be rented to them. The Resettlement Administration was intent on moving people from low productivity areas where they produce little income to high productivity areas where they could produce higher incomes. The Ozark tenant farmers were in effect forced to move from the farms in Southern Missouri which provided them with little income to farms in Northern Missouri which provided much better incomes.

Within a few years, however, most of the people involved had drifted back to Southern Missouri. When asked why they preferred poverty in the Ozarks to better living in Northern Missouri, the replies summed up to, "We missed the coon hunting and the hills."

The voluntary movement which has taken place in response to market incentives has been of self-selected persons. The people

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who chose to move were those to whom higher income was more important than "coon hunting and the hills." Those who preferred their current surroundings did not have to move and did not. Yet, they did not lose by staying behind. Those who moved left behind capital and land which increased the resources per man of the stay-at-homes. This increased the income of the stay-at-homes.

The voluntary process of resettlement works better than the centrally directed, involuntary process. It selects, by self-selection, those people to whom the sacrifices or costs entailed by movement are minimal and to whom the gains are relatively more important. Usually, those who voluntarily move are those who can make relatively greater net gains. The voluntary response to the incentives of the open market does more to raise average productivity than managed moves of nonvolunteers administered by a government bureau.

The TVA Experience

The events I have described above should warn us to go slowly in enacting special aid and subsidy measures for low-income areas in the United States, as has already been done to some extent and more of which are being proposed as part of the Great Society program. If these measures take the form of subsidizing people to stay put, the incentive to transfer resources to superior uses is removed. As a result, per capita incomes — aside from subsidies — in distressed areas will remain low relative to the average for the nation.

This is perhaps best illustrated by analyzing the TVA area experience. The area has been and is heavily subsidized. Capital is provided by the Federal government (that is, by the rest of the country) for many projects at a price of 2½ per cent. All the capital for some projects is provided at no cost to the TVA area. Electricity is furnished to many buyers in this area at substantially lower prices than in neighboring areas whose suppliers must bear a heavy tax burden. The power company in Arkansas pays out 24 per cent of its revenues as taxes. The TVA makes payments in lieu of taxes, but these amount to only 2 per cent of its revenues. That is quite a substantial difference in the tax burden aside from the direct subsidization of the capital supplied to the TVA.

Presumably, in these circumstances, the people of the TVA area should have gained enormously.

An analysis made by the Kentucky Utilities Bureau in this re-

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gard turned up a very surprising result. The Bureau was asked to determine whether it would be wise to invite the TVA to extend its operations further into Kentucky. In order to answer the question, it studied the TVA area and eight surrounding areas. It measured the change in various welfare indices such as per capita income, longevity, level of education, freedom from incidence of certain types of disease, and so on. As a result of the study, Kentucky decided not to invite the TVA to further extend its area of activity. The surrounding areas had, on the average, done as well as the TVA area.

When I heard of the study, I was puzzled about the results. They seemed paradoxical to me or, to put it bluntly, I found them hard to believe. It was only after a number of students had done some further analysis that an explanation emerged which made the study credible. The data on migration made the pieces fall into place. What TVA does is to subsidize people to stay put who otherwise would migrate. Voluntary migration of people out, and of capital in, and a change in the rural-urban balance did for the surrounding areas what the subsidies did for the TVA area.

In essence, what TVA has done and is doing is to subsidize people to stay put in an area of lower productivity than the areas to which they would move. This means that we are keeping people in low productivity jobs instead of letting markets work to move them to higher productivity jobs. To this extent, average productivity in the nation is lower and per capita income is lower than it would be in the absence of the TVA. Also, income per capita in the TVA area is lower than it would be without the TVA. The capital drain from the rest of the nation has kept per capita income from rising as rapidly as it otherwise would. This has reacted to cause a less rapid rise in the TVA area than would have occurred in the absence of TVA, the very opposite of the result which our fallible legislators were presumably attempting to produce.

Market Coordination of Research and Technology

At this point, I want to turn to a more difficult and less analyzed area, the role of open markets in directing research and development. I will do this by discussing some examples.[8]

In 1950, we had an enormous rise in the demand for benzene.

[8] See Y. Brozen, "The Role of Government in Research and Development," *The American Behavioral Scientist*, December, 1962, for a general analysis.

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The price had been 14 cents a gallon. Since it was an ingredient in the making of certain explosives, the outbreak of the Korean War greatly stimulated the demand. Since the price was still free to move, price ceilings not yet having been imposed, the price moved to 50 cents a gallon.

The price rise was an expression of the great new demand for benzene for certain overwhelmingly important purposes. It also served as an incentive for people to conserve the use of benzene in less important applications and release it for the more important.

The price rise created an additional response. It presented an opportunity to obtain a pay-off from the development of new technology for producing benzene from a new source. Benzene had been produced primarily as a by-product in the extraction of coal chemicals. Because of its by-product status, the elasticity of supply from the then available sources was very low. At the old price of 14 cents, it would not have paid to develop new sources by creating new technology, and there was little need for new sources since the supply was ample. The 50 cent price was a signal that the supply was no longer ample. Also, it was an incentive to develop a new source.

Universal Oil Products responded to the signal. It did some work on the plat-forming process for handling petroleum hydrocarbons. In three months it developed a process for producing benzene from petroleum. The price of benzene then dropped to 25 cents. This provided the signal that further research and development was not needed unless it was likely to create a process more efficient than the plat-forming method.

The open market responded to the benzene scarcity. It directed research to do a job to the extent that resources devoted to research could do the task with a smaller resource requirement than putting resources into conserving benzene and substituting other materials.

The opposite of open market direction is exemplified by the reaction of the Federal Bureau of Mines and of Congress. The Bureau of Mines said to Congress and the Defense Department, "We will be running out of petroleum soon. How are you going to move military equipment such as planes and tanks which depend on petroleum products?" The Bureau asked for a $400,000,000 appropriation to work on the hydrogenation of coal and extraction of oil from shale. It almost frightened the Defense Department and Congress into pushing the appropriation through.

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The oil industry is as much interested in providing liquid fuels for military equipment as the military establishment is in obtaining the fuels. To the extent that it would be cheaper to produce the fuels by coal hydrogenation and by extraction of shale oil, the industry would move in that direction. The industry had maintained a continuous program of research on a small scale to be ready to move when the state of science was appropriate and the scarcity of alternate sources of hydrocarbons made it necessary.

The time was not ripe, however, and the industry indicated this in congressional testimony. Nevertheless, Congress did appropriate $100,000,000 and the Bureau of Mines built a pilot plant at Carthage, Missouri, and increased the scale of work at Rifle, Colorado. Both plants were shut down and have sat idle for a decade. We have wasted $100,000,000.[9]

There is the difference between the open market response and the controlled market response.[10] Those in the open market were forced to operate on the basis of economical use of resources since they could not call on taxpayers to pay for their mistakes. The controlled market operated on the basis of scarce headlines instead of the realities of resource availabilities and economy.

Conclusion

Central planning by man has been praised as a superior technique for organizing the use of resources, selecting techniques, and directing production because presumably it employs man's capacity to reason and is rational. However, this is an argument for planning as against no planning. The issue thus drawn is false.

Free markets are a method of co-ordinating the decentralized planning of many organizations and individuals. Each plan can be fitted to local circumstances employing local knowledge in such a way that the total is coordinated under the constraints imposed by total resources and total needs. The issue is not plan versus no plan. It is centralized versus decentralized planning; limited initiative by a few, or widespread initiative by many.

This nation has attempted to maintain widespread initiative and, at the same time, intervene in markets with special programs to benefit politically powerful blocs and presumably worthy persons

[9] The Plant near Rifle was re-activated in 1965 with a governmental appropriation and is being used for research purposes under contract to six oil companies.

[10] For other examples, see Y. Brozen, *The Role of Technology in Conserving Strategic Materials* (multilithed, 1951).

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who are not receiving "fair shares."

Where these interventions have changed the signals, such as wage rates and prices, or forced reallocations of resources among areas or lines of production, such as the subsidizing of certain activities like agriculture and certain areas such as the TVA region and Appalachia, the results are frequently the opposite of those intended.

One example of a result opposite the intent has been described (the TVA instance). In that case, the intended beneficiaries are worse off than if the intervention had not been undertaken. Additional examples which illustrate the same point can be named. The tariff, which is supposed to protect the levels of living of American workers from the competition of low-paid foreigners, has simply monopolized low-paying jobs for Americans and prevented them from obtaining better-paid jobs which would have been available in the absence of the trade barriers we have imposed.[11] The imposition of the minimum wage and its subsequent increases have caused a loss of better-paying jobs by many of the intended beneficiaries and forced them into lower-paying jobs or unemployment.[12] The subsidies provided for agriculture through such devices as the Rural Electrification Administration have depressed rural wage rates and increased poverty while enriching the already well-to-do.[13] The Federally sponsored and subsidized urban renewal programs which some believed would benefit poverty-stricken slum dwellers have instead forced them to pay higher rentals, reduced the supply of housing at their desired rental levels, and destroyed the livelihoods of hundreds of small business people.[14]

Free markets have done a magnificent job of eliminating poverty,[15] of improving the status of

[11] See Y. Brozen, "The New Competition—International Markets: How Should We Adapt?" *Journal of Business*, October, 1960.

[12] Y. Brozen, "Minimum Wage Rates and Household Workers," *Journal of Law and Economics*, October, 1962; M. Colberg, "Minimum Wage Effects on Florida's Economic Development," *Journal of Law and Economics*, October, 1960.

[13] D. G. Johnson, "Output and Income Effects of Reducing the Farm Labor Force," *Journal of Farm Economics*, November, 1960.

[14] The Chicago Housing Authority, *Rehousing Residents Displaced from Public Housing Clearance Sites in Chicago*, 1957-58; J. Segall, "The Propagation of Bulldozers," *Journal of Business*, October, 1965.

[15] A century ago, practically everybody in the United States fell below what has come to be called the line between poverty and non-poverty—a $3,000 per year income measured in 1962 dollars. By 1947, the incidence of poverty as

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Jews, Negroes, the Irish, and other minority groups, and of providing opportunities and outlets for the creative use of the energies of even the most deviant persons who are frequently jailed or shot in less open societies. Such markets make it impossible for the few to monopolize power and tyrannize their fellow countrymen. This, of course, is the reason that those with a lust for power are the enemies of the free market and the encouragers of intervention and central planning. As Trygve Hoff remarked, in an editorial in the Norwegian weekly, *Farmand,* "The hallmark of the 'planned economy' is not planning. It is that it aims to concentrate . . . power in the hands of the State." ◈

defined by this standard had fallen from nearly 100 per cent of all families to 32 per cent. By 1964, those falling below the $3,000 standard had diminished to 18 per cent.

BEAUTY and COMMON SENSE

MOST Americans respond characteristically to the appeals for beautification of our country. They want to have their cities improved, to remove scars from the landscape, to have an attractive countryside.

Conservation and preservationist groups have been preaching this gospel for years. They have done an effective job. They have aroused the innate decency of our people; they have appealed to American love of nature and re-

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spect for the out-of-doors. What the preservationists have done, however, is to overlook a simple fact of life. This is that our nation has grown great by learning the lesson of using our natural resources wisely, not by locking them up.

The forest industries in the last 50 years have done more for true conservation than all the Izaak Walton Leagues, the Sierra Clubs, and ladies daffodil societies lumped together. They have learned to perpetuate our timber resources while at the same time supplying the nation with the wood necessities of modern life.

As National Forest Products Association President, Gene C. Brewer, cogently puts it: "This is one industry that takes beauty from nature, converts it into products of beauty, and restores beauty to the forest." Preservationists currently are asking for an unrealistic "moon" in a manner which could result in thousands of jobless people and their forest communities economic dropouts. They want scenic trails, wild rivers, national parks, wilderness areas, canoe preserves, monuments, and many other things that are laudable – if taken in proportion. But when they seek to indulge hobbies at the expense of sterilizing producing resources, when they seek to cut off necessary economic production of the needs of everyday life, they are not using common sense.

If the forest industries are to be continually restricted, constantly hampered, and put out of business, how will people fulfill their most basic human needs? What is to be the source of material on which to print their news letters and sermons? What will they use to build houses? What will they use for furniture? Forest industries, which may have become the greatest conservationists of them all, have learned to live with recreation, parks, trails, waterways, and all the rest. But they have done it by using good judgment and common sense.

Isn't it about time for the preservationists to use some, too?

IDEAS ON LIBERTY

Ben Moreell

WE CONSERVE natural resources by using them in the most efficient and economic manner. . . . If a given project cannot pass the test of economics, that is a sure sign that it is not conservation but waste.

Our Nation's Water Resources – Policies and Politics

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Plato, Your Philosopher King Has Been Found!

LEONARD E. READ

LIFE in the Athens of twenty-four centuries ago was relatively simple. Economics as a discipline had not been considered; technology as we know it was nonexistent; specialization in medicine, manufacturing, or any other field had scarcely begun. Computers? Why, even the concept of zero was a thousand years in the future. The Athenians, by our standards, knew nothing of the complexities we experience in everyday life.

Simple? In a sense, yes. Yet, human beings were as complex then as now. Each individual was unique. No two thought alike, or had the same incentives, talents, desires, likes, dislikes, goals, aspirations, energies. Variation! And to the mind of a social planner this spelled chaos, humanity at sixes and sevens. How possibly could order be brought out of such disorder? Precisely the same question people raise today. And inspired by the same lack of understanding!

Plato gave us the philosopher-king idea – an omnipotent leader all-wise enough to play a totally dominant role. Plato's final statement of the idea is found in *Laws*, #942, where the Athenian says:

> The greatest principle of all is that nobody, whether male or female, should be without a leader. Nor should the mind of anybody be habituated to letting him do anything at all on his own initiative; neither out of zeal, nor even playfully. But in war and in the midst of peace – to his leader he shall direct his eye and follow him faithfully. And even in the smallest matter he should stand under leadership. For example, he

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should get up, or move, or wash, or take his meals. . . only if he has been told to do so. In a word, he should teach his soul, by long habit, never to dream of acting independently, and to become utterly incapable of it.

A Perfect Planner

What really lies at the root of the philosopher-king idea which has persisted since Plato's day? To answer, "the will to power," is to gloss over the explanation. Plato himself had no authoritarian aspirations, and I suspect the same can be said for nearly every thinker who dwells on perfecting society. Persons who occupy themselves intellectually in this manner have neither the time nor the inclination to ascend politically. These thinkers are searching for something more difficult to find than power is to gain. What is the object of their search?

These self-appointed doctors of society view the human scene and see people going every which way, each man in pursuit of what interests or intrigues him most. Unregulated human action is random, they suspect, lacking in economy and needing direction. How can there be any order, any grand purpose served, when millions of individuals act personally, privately, and independently of each other? Particularly when each one has only a smattering of some unique knowledge, merely a tiny bit of know-how peculiar to each! Think of the enormous benefit that would redound to all should some one person—a philosopher-king type—encompass in his own person a totality of all knowledge. Be done with this helter-skelter and its wastage! What society requires is a "creative *combining* mind," an intellectual superman who can synthesize all of the discrete skills, know-hows, wisdoms!

Nor is this a notion exclusive with Plato; it pervades and dominates the minds of millions. The reason that we think of the philosopher-king idea as distinctly Platonic is that he, and now and then another intellectual giant, is strikingly explicit in setting forth the notion. Millions of people go along with the idea but without any ability to express it in explicit terms.

"The Remaking of Man"

Among these few intellectual giants, we should take note of the distinguished scientist, Dr. Alexis Carrel. In his remarkable book, *Man, the Unknown,* he entitled the concluding chapter, "The Remaking of Man."[1] Note how he would remake man (italics mine):

> Every year we hear of the progress made by eugenists, geneticists, sta-

[1] *Man, the Unknown* (New York: Harper & Brothers, 1935.)

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tisticians, behaviorists, physiologists, anatomists, biological chemists, physical chemists, psychologists, physicians, hygienists, endocrinologists, psychiatrists, immunologists, educators, social workers, clergymen, sociologists, economists, etc. But the practical results of these accomplishments are surprisingly small. This immense amount of information is disseminated in technical reviews, in treatises, in the brains of men of science. No one has it in his possession. *We have now to put together its disparate fragments, and to make this knowledge live within the mind of at least a few individuals. Then, it will become productive. . . .*

In about twenty-five years of uninterrupted study, one could learn these sciences. At the age of fifty, those who have submitted themselves to this discipline could effectively *direct* the construction of the human being and of a civilization based on his true nature. . . .

Democratic *rulers*, as well as dictators [what's the difference?] could receive from this source of scientific truth the information that they need in order to develop a civilization really suitable to man. . . .

We have to *intervene* in the fundamental organic and mental processes. These processes are man himself. *But man has no independent existence.* He is bound to his environment. In order to *remake* him, *we* have to transform his world. . . .

A group, although very small, is capable of eluding the harmful influence of the society of its epoch by *imposing* upon its members rules of conduct modeled on *military* or monastic discipline. . . .

Such a minority would be in a position to impose, by persuasion or perhaps *by force*, other ways of life upon the majority. . . .

We must single out the children who are endowed with high potentialities, and develop them as completely as possible.[2]. . .

The sons of very rich men, like those of criminals, should be removed while still infants from their natural surroundings.[3]

Power to the Rescue

Dr. Carrel no more aspired to political power than did Plato. But these two, along with countless others, less famous, of the philosopher-king school,[4] have erected an ideological framework which has made it possible for the Hitlers and Stalins to achieve political dictatorship without effective opposition. The mere acceptance of the

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[2] Who are "we"? It's a million-to-one bet that "we" would never have singled out that 12-year-old newsboy in Michigan—Thomas Alva Edison!

[3] Peacefully? Hardly! The removal would have to be at the point of a gun; rich parents love their children, too!

[4] The late C. S. Lewis writes of these ideologists and says, "I am not supposing them to be bad men. They are, rather, not men (in the old sense) at all. They are, if you like, men who have sacrificed their own share in traditional humanity in order to devote themselves to the task of deciding what 'Humanity' shall henceforth mean."

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lording-it-over-man concept paves the way for coercionists or war lords.

People – intellectual giants or midgets – who feel the necessity of a grand synthesist (and never finding such a person, for he does not exist) will and do turn to government to handle problems they wish to shun; the state becomes their philosopher king. This naive approach leaves the gate wide open for the most persuasive and seductive among the seekers after power.

The philosopher king! The grand synthesist! The creative *combining* mind! How much contrary evidence must we have to rid ourselves of this faulty notion! The two examples of Plato and Carrel should suffice – men with admittedly superior intellects arriving at such schemes to remake humanity. How can we explain the paradox of growing intellects leading to this nonsense? Perhaps the genius – the relatively superior one – is thereby blinded and sees no boundaries for himself. He steps out of bounds, as we say; he goes over and beyond the role intended for man, steps into God's Realm, and falls into an abyss of utter absurdity.

But the grand-synthesist idea can easily be refuted. Any highly specialized scientist or technician will, when carefully questioned, confess his inability to keep abreast of the advances in his own narrow specialization. Is there, then, some one of them who can arise to a know-it-all position, who can encompass infinity in his finite mentality? Preposterous![5]

The Creator's Role

Those who have sincerely approached the problem of ordering human society have always found disillusionment in their attempts to discover the Combining Mind in any man or in any enforced combination of men. Plato himself finally despaired of finding a philosopher king. In fact, as he grew older, he devoted his best efforts to the erection of *barriers* to the exercise of power by one human being over another.

The *combining* mind is not to be found in creation but only in the Creator. I have never heard anyone contradict Joyce Kilmer's "Only God can make a tree." How can anyone who cannot make a tree logically contend that man

[5] An acquaintance who for several decades has been a distinguished physiologist at one of our great medical schools, and who has specialized in blood, a narrow phase of a narrow specialization, admits that he knows very little about this "red river of life." The deeper he explores, the greater is his sense of not knowing. Only a person unaware of how little he knows could possibly aspire to become the synthesist of all science, let alone political economy and the other disciplines.

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can make or remake man? Surely, man is higher in Creation's Scheme than is a tree.

Because God is exclusively the Combining Mind, are we then left naked and helpless amidst our thousand-and-one seemingly disparate specializations? Is there not some combining force at the human level and for human disposal, a principle which if scrupulously observed will perform this admittedly essential function?

The answer is an unequivocal "Yes!" and the principle is liberty. Plato, *your philosopher king has been found, not in a person but in a principle!*

The Provisioning of Paris

Who first discovered and comprehended this principle no one knows. For centuries, some thinkers have perceived the vital connection between man and his Creator and between creativity and freedom. One of those thinkers who grasped at least a portion of this vital connection was Frederic Bastiat. Writing in the 1840's about the economy of Paris, unbelievably more specialized and complex than the economy of Athens twenty-four centuries earlier, he observed:

> On entering Paris, which I had come to visit, I said to myself—Here are a million of human beings who would all die in a short time if provisions of every kind ceased to flow towards this great metropolis. Imagination is baffled when it tries to appreciate the vast multiplicity of commodities which must enter tomorrow through the barriers in order to preserve the inhabitants from falling prey to the convulsions of famine, rebellion, and pillage. And yet all sleep at this moment, and their peaceful slumbers are not disturbed for a single instant by the prospect of such a frightful catastrophe.
>
> On the other hand, eighty provinces have been laboring today, without concert, without any mutual understanding for the provisioning of Paris. How does each succeeding day bring what is wanted, nothing more, nothing less, to so gigantic a market? What, then, is the ingenious and secret power which governs the astonishing regularity of movements so complicated, a regularity in which everybody has implicit faith, although happiness and life itself are at stake?
>
> That power is an absolute principle, the principle of *freedom in transactions*. . . .
>
> In what situation, I would ask, would the inhabitants of Paris be if a minister [a philosopher king] should take it into his head to substitute for this power the combinations of his own genius, however superior we might suppose them to be —if he thought to subject to his supreme direction this prodigious mechanism [freedom in transactions— the free market], to hold the springs of it in his hands, to decide by whom, or in what manner, or on what conditions, everything needed should be

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produced, transported, exchanged, and consumed?

Truly, there may be much suffering within the walls of Paris – poverty, despair, perhaps starvation, causing more tears to flow than ardent charity is able to dry up; but I affirm that it is probable, nay, that it is certain, that the arbitrary intervention of government [the coercive synthesist] would multiply infinitely those sufferings, and spread over all our fellow citizens those evils which at present affect only a small number of them.[6]

Miracle in the Sky

The economy of nineteenth-century Paris was markedly more complex than the economy of Athens in 400 B.C. And the economy of the U.S.A. today is incomparably more specialized and complex than the Paris Bastiat wrote about. This point is stressed to emphasize the incontrovertible fact that the more complex the economy, the less is the possibility of human master-minding and the more must our reliance be on liberty – freedom in transactions.

Bastiat marveled at the provisioning of Paris, and well he might. The myriad provisioners, throughout the eighty provinces, went about their business of growing and raising without any thought of where their produce was going. They merely kept their eye on prices: high, grow; low, no. And, lo, Parisians slumbered peacefully without fretting about the morrow. Principle rather than some philosopher king or dictatorial synthesist was operating to a marked extent. And, interestingly, the people of Paris knew no more about the principle than did their provisioners. But Bastiat grasped and explained it and warned, in effect: Ignore it at your peril![7]

The provisioning of Paris! A veritable miracle! Yes, a miracle in the sense that hardly anyone had any awareness as to the why of their well-being. They enjoyed these economic blessings with no more appreciation or understanding than of the sunshine that graced their lives.

The provisioning of Paris miraculous? Then consider this provisioning: In 1966 more than 100,000,000 meals were served in the skies by U.S.A.-owned airlines alone. Just one of these – United – spent more than $30 million last year in provisioning its restaurants in the clouds.

I wonder what the brilliant Bastiat would have exclaimed had

[6] This extract is from *Social Fallacies*, Register Publishing Company edition, 1944.

[7] Even in Russia the principle is not totally ignored. Were any people to disregard freedom in transactions 100 per cent, all would perish.

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he been my seatmate on a TWA jet leaving Athens – nearly seven miles above the Aegean Sea and winging eastward at about 600 miles an hour! Assuming that the jet itself hadn't left him speechless, what might he have said when the stewardess passed the menus? There were, of course, the appetizers, a choice of soups and salad dressings and desserts and beverages. But reflect on the entrees from which we might have chosen:

Roast Sirloin of Beef
[Kansas grown]

Broiled Filet Mignon
[Rare or well done, Sir?]

Maine Lobster Thermidor
[Maine lobster over the Aegean Sea!]

Roast Duckling with Sour Cherries
[Long Island and California]

Curried Squab Chicken
[India and Delaware]

Fillet of Sole in Shrimp Sauce
[North Channel fish]

Individual Lamb Rib Roast
[Utah gets into the act]

All of this would have been incredible even to the perceptive Bastiat. Good foods from such distant places, most of them harvested weeks earlier! Impossible! Why aren't they spoiled? For Bastiat had never known of anything frozen except temporarily by Mother Nature.

My explanation would have sounded strangely similar to his understanding of the provisioning of Paris, except more "far-fetched." For instance, Monsieur Bastiat, some of these vegetables were grown in California. They were then picked, cleaned, prepared, quick frozen, and placed in an atmosphere, kept at or near zero degrees Fahrenheit; and then the frozen vegetables *and the atmosphere* were transported and hoisted aboard this jet, both the vegetables and the atmosphere remaining in this state until you and I select our entree for dinner tonight.

I realize, Monsieur, that you never heard of an electric oven, this marvel of freedom in transactions, which cooks our meals tonight. But a year from now, if our freedom prevails, this oven will be discarded as outmoded. Instead, a microwave oven will cook the frozen steaks, for example, in four minutes. And this coffee! Isn't it delicious? And far superior to any you ever tasted in Paris. The beans were grown in Brazil, Colombia, Guatemala, and Java, blended and roasted in New York City, and brewed on this jet in less than five minutes. Pardon me, I almost forgot. These wines and champagnes are mostly from your native France.

Actually, Monsieur Bastiat, what you are experiencing tonight

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is no more than an extension of the phenomenon you so clearly perceived 120 years ago – the absolute principle of freedom in transactions.

This jet, these delectable foods, the mobile zero atmosphere flying through space, the ovens, and so on, are a fantastic combination of nature's resources originating all over this earth, plus trillions upon trillions of tiny human creativities, inventions, discoveries going back to the beginning of thought. What you and I enjoy are natural and automatic coalescences of these infinitesimal intelligences, formations that occur when intelligence and resources are free to flow.

As you so cogently pointed out, no minister could have planned our experience this evening. Had any man or men – Plato's philosopher king, Carrel's synthesist, or any bureaucracy–been substituted for the basic principle of freedom in transactions, such an evening as ours would be unthinkable. Thanks for having enlightened at least a few of us. *Bonne nuit,* Monsieur.

Trying to Understand

It is one thing to find Plato's philosopher king, not in the form of a person, but in the observance of a principle. It is quite another matter to explain why the principle is so difficult to find and understand. Why, we must ask, do so few perceive what appears to be a simple fact? Perhaps anything is simple once perceived, complex before hand. Authoritarians are explicit in setting forth their schemes. Why are we devotees of liberty so vague and ambiguous when trying to explain freedom in transactions and how it works?

If I have no more difficult task than to set forth the little I know and my few beliefs, it is fairly easy to be explicit. There is no trouble at all in imitating Plato's line, ". . . to his leader he shall direct his eye and follow him faithfully," or Carrel's belief, "The sons of very rich men, like those of criminals, should be removed while still infants from their natural surroundings." The authoritarian's way is founded on personal dictations such as "from each according to his ability, to each according to his need," or a rent control, an embargo, a government's debt, a tariff, a subsidy. These can be observed. Being explicit is easy.

But when freedom in transactions is allowed, description amounts to explaining the miraculous. When riding on a jet, for instance, one is no more conscious of its make-up than the people of Paris were of that city's provisioning. Who sees in that plane –

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as much a part of it as its wings—the harnessing of fire, the concept of zero, the discoveries that accounted for the vulcanization of rubber, or the making of blueprints? *That jet rides as much on trillions of tiny ideas as it does on the air through which it speeds.*

Creativities flowing freely and in complex interchange — freedom in transactions—are in solution, so to speak; they integrate imperceptibly, become a natural part of the human situation. They're soluble, as are grains of sugar added to a pail of water: it still appears as a pail of water, although a mite sweeter. But the discrete grains, as the tiny creativities, are lost track of as they become an integral part of the whole.

Only now and then does a Bastiat come among us, one who can discern a profound principle at work. Mostly we're plagued with would-be philosopher kings, men who are explicit and disarmingly persuasive. Yet, we are critically dependent on the kind of discernment displayed by our French friend and on a healthy skepticism of the philosopher-king idea in its myriad forms. Let man confine himself to his own realm and never invade God's; *freedom in transactions* will admirably serve us as the most efficient of organizers. ◈

GIVING A HAND TO SMALL BUSINESS

LAWRENCE FERTIG

THE AMERICAN PUBLIC is naturally very sympathetic to small business. Everyone likes to see David victorious over Goliath. The best way to help the little fellow is to remove from his back the load of taxes, work restrictions enforced by labor unions, artificial minimum wage laws, and other burdens which now severely affect him. But even under these current restrictions thousands of small businesses, privately financed and privately managed, have been very successful. Look through the Over-the-Counter stock market and you will find there many glowing records of success by small companies making fried chicken, elec-

Mr. Fertig is an economic columnist. This article appears by permission of Columbia Features, Inc.

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tronics, hamburgers, special tools, and so on. But this record has been due in no way to government intervention by the Small Business Administration (SBA).

The Small Business Administration in Washington has achieved an unenviable record. The SBA is probably the biggest flop of all government agencies employing Federal cash in an attempt to improve the economy by subsidizing special groups. This must be considered a remarkable achievement considering the long history of failure by these agencies.

Conflicting Objectives

One basic trouble with the SBA is that it tries to achieve two objectives which often defeat each other. On the one hand the SBA tries to "fight poverty." On the other it tries to help small business grow and become more profitable. The result has been that poverty has not been noticeably relieved, and millions of dollars of taxpayers' money has been wasted on loans to small business which never had a chance from the start.

In the name of Anti-Poverty the SBA has financed automobile repair shops, laundries, bakeries, hobby shops, pet shops, and the like. Frequently, these have been run by people with little experience and less talent. Many soon failed. In nearly all cases these businesses could not get commercial financing because the chance of success was practically nil. An SBA spokesman said quite truthfully, "You've got to expect losses when you're fighting a war on poverty." This statement reveals a deep confusion. Most of these loans had little to do with fighting poverty.

To encourage small business (which is the other objective of SBA) this agency has financed what are known as Small Business Investment Companies (SBIC's). These companies, privately owned, are subsidized by government loans of up to twice their invested capital, at a low interest rate. They can charge off capital losses 100 per cent against current income. They can accumulate earnings without incurring tax penalties. Stockholders of an SBIC get special tax privileges—if they sell their stock at a loss they can deduct the loss from income. A lot of people rushed to take advantage of this government-financed gravy train—but the results were quite different from the anticipation. In March this year the SBA officially reported that out of 732 such companies, 232 were "problem" companies; 60 were in process of liquidating; 42 had lost more than half their private capital; and 13

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had lost more than half their private and government capital.

Bernard L. Boutin, [then] Director of SBA, estimated in April that $50 million of the $242 million so far advanced by the Federal government to SBIC's would be lost.

This is a sorry record. Much of it could have been anticipated. As every businessman knows, it takes unusual ability to make a small business grow. Easy financing frequently induces sloppy management, and in many cases internal corruption. This is what happened to many SBIC's. Government cash freely distributed is not the way to stimulate sound private enterprise.

In Case of Failure, Try More of Same

Having produced this record of failure, what is the solution offered by the SBA? It is the usual one offered by every government agency which is not successful after losing substantial Federal funds. Their solution is – *more* government money and an *expanded* program for Small Business Investment Companies. The SBA sent to Congress at the end of May proposed legislation which would give these investment companies greater access to Federal cash. "The average Small Business Investment Company," said Mr. Boutin, "is much too small, much too limited in financial resources and management skills to do the job contemplated by Congress." So Mr. Boutin would raise private investment from the present $300,000 to $1 million, and he would increase maximum government investment to $10 million from the present $4.5 million. In this plan there is no guarantee of "management skills" necessary to protect government cash. Many SBIC's have failed and they will again.

The way to encourage small business is to relieve its back-breaking load of high taxes and labor union restrictions on work. This is the form of Federal aid it needs – not government subsidies. ◈

IDEAS ON LIBERTY

Capital Punishment

CAPITAL PUNISHMENT is when the government taxes you to get capital in order to go into business in competition with you, and then taxes the profit of your business in order to pay its losses.

AUTHOR UNKNOWN

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GEORGE C. ROCHE III

POWER

4. PROSPECTS

WIELDERS of power are destroying the world in the mistaken belief that they are improving it. Many men have experienced the temptation to remake the world. Some have hoped to build a happy and prosperous nation through the suppression of all traffic in alcohol. Others have expected to create a "master race" through the extermination of "impure" races. Such schemes invariably have ended in disaster for ruler and ruled alike. The record of failure is being extended by the most "modern" of the schemes to remake the world through the use of coercion. The record of the planned society, whether in economic, political, or moral questions, is far from enviable.

One of the worst features of the planned society is its incorporation of religious zeal in the service of repressive ends. The humility implicit in a sound religious faith has often retarded men's appetite for power; but even religion is showing signs of degenerating into a mere humanitarianism which substitutes the material for the spiritual and man for God.

The increasing spread of the planned society has tended to sweep aside such institutional guarantees as religion and private property, and has tended to override the traditional political bulwarks against such unchecked exercise of power. Worst of all, the extension of power has been sufficiently gradual, and the accompanying semantic erosion has been

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so complete, that the new extension of power into every area of our lives is today widely accepted as our "traditional American way."

The new exercise of power in the name of "humanitarian" goals is none the less dangerous because its ends appear commendable. In the words of Immanuel Kant: "Nobody may compel me to be happy in his own way. Paternalism is the greatest despotism imaginable." For the social reformer thus to select the goals in pursuit of which he will exercise his tremendous authority is to deny men the exercise of their own will, stripping them of their humanity.

Erosion of Value

For many centuries throughout the history of the Western World, the belief in the divine origins of individual human personality became progressively stronger, thus engendering an understanding of the necessity for the limitation and fragmentation of power. As belief in the divine origins of individual human personality has tended to wane in the modern world, this trend has increasingly reversed itself. Man has seen fit to dispense with God and substitute man in His place, and the barriers of Natural Law have come down as the result of that substitution. The way has been cleared for the exercise of power in a new moral framework. This framework now defines "morality" as social utility, to be decided upon by those exercising power. The ethical abyss opening at the feet of modern man is the direct result of that definition.

Since Descartes, Western philosophy has increasingly departed from the realism of the Greeks, the Bible, and St. Thomas. The result?

> But in our society, where relativism rules supreme, where truth is not merely distorted but its very existence denied, power grows to monstrous proportions without any inner check in the bosoms of those who hold it. In the place of truth, the ideal is adjustment, that is, the acceptance of whatever happen to be the modes of thought and action established among us – not because it is purported that they are true, but just because they are. In this paradise for power unchecked by any criterion but its own, the way of the man who would bear witness to and fight for truth because it is truth is doubly hard. Not only, as in former ages, must he confront the established authorities of the day with the divergence of their acts from the demands of truth; he has to substantiate – explicitly or implicitly – the very title of truth as criterion.[1]

[1] Frank Chodorov, *The Rise and Fall of Society* (New York: Devin-Adair, 1959), pp. vii-viii.

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Truth and Not Power Has the Last Word

Yet, it is this modern relativism which today stands astride our society and which controls such vast and unlimited power. But power, of itself, is not the final controlling element in man's life. The old assertion that "the truth will out," suggests quite properly that Truth and not Power has the last word in the affairs of man. Power, resting upon any other foundation except Truth, ensures its own destruction, a destruction from which the Truth will again emerge in the intellect and spirit of man. Those exercising power upon any other basis than Truth are, in the words of George Schuyler, "like a colony of ants riding on the end of a log floating down the Mississippi, while discussing destiny."

Correct action automatically follows understanding – the only route to correct action. Nothing else will serve. If this process seems hopelessly slow, there should be the sustaining faith that liberty is in harmony with truth, and with the intended design of the human social order. Truth is immortal, despite the defeats that it seems to suffer along the way. Truth has a power that is no respecter of persons, nor of the numbers of persons who may at any time be in darkness about truth. Truth has a power that cannot be touched by physical force. It is impossible to shoot a truth.[2]

It is helpful to remember that throughout the history of man, oppression has been his usual lot. The extent and duration of a substantial amount of liberty in this nation is the exception, not the rule. Should we continue to condone the wide exercise of power within our society, our exceptional circumstance seems destined to come to an end.

We have reached the point in our society where we no longer seem to understand that centralized authority has neither money nor power of its own. Centralized authority has only what wealth and power it can extract from society. It is this lesson which has convinced our most thoughtful social critics of the necessity of restricting power while dividing authority among as many different elements of society as possible. Our modern trend is toward the destruction of such a system and the substitution of the more "efficient" exercise of centralized control. In *The Course of Constitutional Politics,* Benjamin Constant, viewing the excesses of the French Revolution, pointed out

[2] F. A. Harper, *Liberty—A Path to Its Recovery* (Irvington, N.Y.: Foundation for Economic Education, 1949), pp. 126-27.

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This country has gotten where it is in spite of politics, not by the aid of it.

WILL ROGERS

that power, and not politics, was the real culprit:

> Entrust it [unlimited Power] to one man, or to several men, or to all men, as you please; whichever it is, the results will be equally unfortunate for you. You will then wax hot against the actual holders of this Power, and will, according to circumstances, accuse in turn monarchy, aristocracy, democracy, mixed governments, and the representative system. You will be wrong; it is the measure of force that is the culprit, not its holders. Your indignation needs to be directed against the sword and not against the arm. There are weapons which are too heavy for the hand of man.

"It Can't Happen Here!"

Such sentiments caused our Founding Fathers to erect numerous barriers in the way of the exercise of centralized authority. The success stemming from that limitation of power has provided more material prosperity and political liberty to more people than any other attempt in the history of the world. Ironically, the power of centralized administration in this country has grown in large part because of this very inexperience of the American people with tyrannical governments. The frequent response to the allegation that centralization of power is creating a despotic administration is the attitude, "It can't happen here."

Yet, it can happen here! It is happening. A clear understanding of the American tradition of limited government and individual liberty is necessary if we are to resist and reverse the tendency of our times.

Our forebears were consistently suspicious of government and of the political spectrum in general. In "Thoughts and Details on Scarcity," Edmund Burke warned:

> To provide for us in our necessities is not in the power of government. It would be vain presumption in statesmen to think they can do it. The people maintain them, and not they the people. It is in the power of government to prevent much evil; it can do very little positive good in this, or perhaps in anything else.

Or, in the even more succinct statement of Will Rogers, "This country has gotten where it is in spite of politics, not by the aid of it." It is upon this tradition of hardheaded common sense that

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the reinstitution of the American framework must begin. Individual freedom, free enterprise, local community, the sanctity of such institutions as religion and family, and the right of individual conscience . . . it is in the reassertion of these fundamental truths that power will find its nemesis.

Free to Choose

Innumerable times each day, we depend heavily upon freedom of choice in virtually every aspect of our lives. The free choice still available to the American citizen is virtually beyond belief to most of the inhabitants of the world in our time, or indeed at any time throughout history. Yet this very freedom of choice is suffering a rapid attrition. To reverse the trend, we must begin appreciating what blessings we have enjoyed and still enjoy so that we may fully perceive the nature of the loss which faces us.

Imagine trying to convince grandfather half a century ago that the time might come when the American farmer would require permission from a Federal agency to plant his crops! Yet, today, the farmer has lost his right to choose. Newspapers recently carried the story of an Ohio farmer who has spent the past ten years in constant litigation with the Federal government, nearly bankrupting himself in the attempt. He is now threatened with the loss of his farm, all because of a dispute as to whether he planted twenty-three acres of wheat on his farm, or only fifteen acres. He has decided to pay his fine, the article reports. "Mr. Donaldson still maintains his innocence, but after ten years of fighting he decided to pay rather than see his 389-acre farm auctioned off."[3] What has happened to Mr. Donaldson's freedom to choose?

If a farmer can no longer raise the grain to feed his own chickens or a businessman can no longer decide which workers he will hire at what rate of pay, each has lost his freedom to choose to that extent. Each time the tax collector comes to your door for a growing portion of your income, you have lost that degree of freedom to choose in your life as well.

Often the loss of this freedom of choice is a joker hidden in the deck and comes as quite a surprise to the community or the individual who so eagerly accepted the alleged benefits held out at the time the program was originally promoted. For example, Wichita recently discovered that it can no longer initiate a referendum to determine its actions or its continued participation in existing

[3] *The Wall Street Journal*, April 20, 1967.

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urban renewal laws. It seems that once a city elects to come under urban renewal, and once conditions exist for the application of urban renewal laws, the city in question no longer retains control, even by popular vote.[4]

These specific examples, drawn from current newspapers, could be multiplied by the thousands the length and breadth of the land. Sometimes it helps, however, to talk about specific instances, specific communities, specific individuals, because it is in these specific instances that freedom of choice is lost for the individual or the community involved.

What sort of freedom of choice lies ahead for us? The Federal government is even now extending its dominion into public education. Proposals are being put forth concerning a Compulsory Youth Corps for our young citizens between the ages of 18 and 20.[5] How far need such trends go before the American people realize what they are losing in the bargain?

Freedom is such a precious good that we ought to be ready to sacrifice everything for it, possibly even prosperity and abundance, should we be compelled to do so by the necessities of economic freedom. Then we can point out that, luckily for us, an economic system based on liberty – without which liberty itself cannot exist – is at the same time infinitely more productive than a system of controlled economy.

We should avoid luring men into acceptance of economic liberty by holding out to them the candy of material abundance; our educational efforts should instead be made on the high level of social philosophy and should appeal to the last and supreme values. We should impress upon people that one cannot deny freedom in the economic field and grant it in the remaining sectors of human activity, and we should summon the whole strength of logical argument and of experience to render this idea convincing.[6]

Freedom for the Individual

There is a reason, deeply grounded in moral principle, which explains the productive capacity of free enterprise. A planned, collective economy suffers from social disorder and poverty, ultimately because of the moral disorder at the heart of the system. Conversely, the individual creative capacity released by a free system provides the energies to enable the free individual and his society to prosper. Such creative capacity stems from the individual's freedom to chart his own

[4] *Topeka Journal*, March 4, 1967.

[5] "A Youth Corps for America?" THE FREEMAN, April, 1967.

[6] Wilhelm Röpke, "Education in Economic Liberty," *What is Conservatism?* (New York: Holt, Rinehart and Winston, 1964), p. 79.

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destiny and choose his own course. A system which robs the individual of that capacity for self-determination is immoral because it removes the individual's right of moral choice, and uneconomic because it destroys the creative forces which produce prosperity. In short, freedom is a prerequisite of prosperity.

But even if freedom did not "work," even if it did not provide more material goods to more people than any other system ever devised, personal freedom would still necessarily remain man's highest goal.

> The desire not to be impinged upon, to be left to oneself, has been a mark of high civilization both on the part of individuals and communities. The sense of privacy itself, of the area of personal relationships as something sacred in its own right, derives from a conception of freedom which [should it decline], . . . would mark the death of a civilization, of an entire moral outlook.[7]

Moral Norms

In the final analysis, political theory, like economic theory, is a branch of moral philosophy. When successful, political theory is an application of proper moral norms to the area of political relations. Such moral norms hinge finally upon the power of the individual to make his own moral choices. Any system of economics or politics which infringes upon that range of moral choice beyond the point of establishing and enforcing a universal rule of law, protecting its citizens against aggression, becomes immoral in its departure from the individual framework within which all such choices must be made. To block the paths of action which a man has available to him and exert the power of the state to achieve a desired effect, no matter how benevolently intended such an effect is likely to be, is an assault upon the dignity of man as a freely choosing, moral agent.

Interferences with this dignity of man simultaneously stunt his moral and material growth. The ideal society was thus defined by Kant:

> The greatest problem of the human race, to the solution of which it is compelled by nature, is the establishment of a civil society universally administering right according to law. It is only in a society which possesses the greatest liberty . . . with . . . the most exact determination and guarantee of the limits of [the] liberty [of each individual] in order that it may co-exist with the liberty of others — that the highest purpose of nature, which is the development of all her

[7] Isaiah Berlin, *Two Concepts of Liberty* (London: Oxford University Press, 1958), p. 14.

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One . . . inviolable right for a just society . . . is the right to private property.

capacities, can be attained in the case of mankind.[8]

Unless men are left free to pursue the path that they choose, the spontaneity, genius, mental energy, and above all, moral courage necessary for the progress of society and the development of the individual personality will be crushed by what Mill termed "collective mediocrity."

It is the civilizing capacity of freedom, for both the individual and his society, that Western man has labored so long to understand and achieve. Confronting this civilizing capacity of freedom, the centralization of power now bids fair to invert the process. In the words of Ortega y Gasset, writing in *The Revolt of the Masses*:

> Civilization is nothing else than the attempt to reduce force to being the last resort . . . "Direct action" consists in inverting the order and proclaiming violence as the first resort, or strictly as the sole resort. It is the norm which proposes the annulment of all norms . . . It is the Magna Charta of barbarism.

How may this barbarism be turned aside and defeated in our civilization? What are the prospects for a free society and how may it be achieved? From what philosophic roots must the counterrevolution of human freedom spring?

Justice

Man's traditional definition of a just society has been a social order in which, as Friedrich Hayek wrote in his 1966 Mt. Pelerin lecture, "justice was conceived as something to be discovered by the efforts of judges or scholars and not as determined by the arbitrary will of any authority." In short, justice is an expression of a higher order than society, of a fixed and inviolable Natural Law which is to be *discovered*, not created by man. An order having origins higher than the state and society is a provider of inherent rights of the individual, rights to be inviolable in any society and any state, if justice is to be truly attained.

Private Property

One such essential and inviolable right for a just society and for the freedom of the individual is the right to private property. Property is, in Richard Weaver's term, "the last metaphysical

[8] *Ibid.*, p. 38.

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right." It is an area not subject to contention. The very *hisness* of property still suffices in our society as a barrier protecting the individual against the increasing pressures of the omnipotent state.

Private right defending noble preference is what we wish to make possible by insisting that not all shall be dependents of the state. Thoreau, finding his freedom at Walden Pond, could speak boldly against government without suffering economic excommunication. Walt Whitman, having become a hireling of government in Washington, discovered that unorthodox utterance, even in poetry, led to severance from income. Even political parties, driven from power by demagoguery, can subsist and work in the hope that return to reason will enable men of principle to make themselves felt again. Private property cannot without considerable perversion of present laws be taken from the dissenter. . . .

Nothing is more certain than that whatever has to court public favor for its support will sooner or later be prostituted to utilitarian ends. The educational institutions of the United States afford a striking demonstration of this truth. Virtually without exception, liberal education, that is to say, education centered about ideas and ideals, has fared best in those institutions which draw their income from private sources. . . . In state institutions, always at the mercy of elected bodies and of the public generally, and under obligation to show practical fruits for their expenditure of money, the movement toward specialism and vocationalism has been irresistible. They have never been able to say that they will do what they will with their own because their own is not private. It seems fair to say that the opposite of the private is the prostitute.[9]

Opponents of governmental power all too often are prone to devote much of their time and energy to charge and countercharge among themselves. If the free society is to be reinstituted, it would be well to remember that common ground does exist for the opponents of the collective ethic. The state's use of *coercion* is the sticking point. No matter what reformism may be intended, the use of coercive power is unjustified. One of the great bulwarks placing limits upon the use of coercion over the individual is the institution of private property, the "last metaphysical right" which serves as the rallying point for the advocates of a free society. In the words of Sir Henry Maine, writing in *Village Communities*, "Nobody is at liberty to attack private property and to say at the same time that he values civilization. The history of the two cannot be disentangled."

[9] Richard Weaver, *Ideas Have Consequences* (Chicago: University of Chicago, 1948), pp. 136-37.

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Just as a man is free within himself because he possesses an immortal soul which is his own, he is free in relation to the world outside only if he has private property as the economic guarantee of human freedom. To erect a totalitarian system, it is thus necessary that both spirit and property be denied.

That is why the existence of God and private property are both denied simultaneously by Communism. If a man has no soul, he cannot allege that he has any relationships with anyone outside the state. If he has no property, he is dependent upon the state even for his physical existence. Therefore, the denial of God and the denial of freedom are both conditions of slavery.[10]

Self-Responsibility

Just as private property calls for the exercise of responsibility in its procurement and its maintenance, man's inner claim to freedom, his immortal soul, also demands responsible behavior of the individual. Thus, in both the outward and inward manifestations of human freedom, the same precondition exists: self-responsibility.

In the modern erosion of values that has occurred, man has increasingly lost the concept of self upon which the individual could predicate his self-respect. If man is no longer the possessor of an immortal soul, the power and responsibility to choose his own course of conduct are no longer available to him. The traditional barriers to the exercise of power over the individual are thus discarded. Natural Law is assumed to be no longer valid. The conduct of man's political and economic affairs is thus severed from a higher ethical standard, making morality what the state deems "moral." Removal of an ethical yardstick against which the actions of ruler and ruled alike must be judged does not free the individual from his self-responsibility, but it substitutes centralized political authority and "group morality" in such a way as to delude each of us concerning his own ultimate responsibility for his individual actions. This distortion undercuts the attempt of the individual to realize himself as a person.

Man alone among the creatures of this earth has the rational capacity for self-transcendence, the quality of mind necessary to stand outside himself and view his own conduct in relation to the world around him. An individual no longer able freely to order his actions, in terms of the insight gained in that self-transcendence, is no longer a free man. It is this

[10] Bishop Fulton J. Sheen, "The Ideological Fallacies of Communism," House Committee on Un-American Activities, Sept. 4, 1957.

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view of man as an individual in possession of a God-given soul, rather than a mere creature of society, that is epitomized in Paul's assertion in his second letter to the Corinthians, "Where the Spirit of the Lord is, there is liberty."

How may such liberty be exercised? If man is truly capable of freedom's exercise, what are the implications for his social order?

The proposal to keep political power so decentralized that it cannot escape the vigilance of social power rests its case on the assumption that the highest value in man's hierarchy is freedom. Does he put it above all other desires? Even material satisfactions? If so, what does he mean by freedom? The definition that quickly suggests itself is "absence of restraint." The lone frontiersman had plenty of that kind of freedom and found it wanting; he was quite willing to part with some of it in exchange for the higher wages that came from cooperation with others. But cooperation entails an obligation, that of shaping one's behavior to the wishes of others, of considering public opinion both in one's occupation and in one's deportment. So then, freedom in Society is not the absence of restraints, but the management of one's affairs by a code of self-governance. The price of the benefits of cooperation is self-restraint.[11]

[11] Frank Chodorov, *The Rise and Fall of Society* (New York: Devin-Adair, 1959), pp. 163-64.

Man is only ready for freedom to the extent that he is willing to check his appetite, to demonstrate a stronger love of justice than of immediate gain. As Edmund Burke has suggested, the less restraint exercised within each individual in this regard, the more restraint must be exercised by the society in which the individual lives. If men are to stay truly free, they must have the capability of self-restraint.

A Truly Moral Society

Only such a society composed of individuals exercising self-restraint could be a truly moral society. If the restraints necessary to maintain justice and equity come from outside the individual, the free choice necessary for individual moral decision will not be present. Thus, a collectively enforced morality is divorced from the roots of all meaningful moral action. It should not be surprising, in view of this fact, that the collective society becomes immoral in practice. Each time that centralized authority is exercised to coerce ethical choice, the capacity for making such an ethical choice is further eroded in the individual who has been coerced.

Edmund Burke's assertion that "there never was for any length of time corrupt representation of a virtuous people. . ." is the state-

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The free society is the society in which each individual voluntarily says, "I am my own responsibility."

ment of a painfully obvious truth. If the individuals composing a society cannot make their own ethical choices, morality being a matter of individual conscience and free choice, then what possible hope can there be that collective political power can do the job? The attempt to shift individual responsibility to a collective ethic corrupts the action of the state by divorcing it from the individual moral action of free choice and conscience. At the same time, the individuals who are stripped of their capacity for moral choice are further weakened and corrupted through the atrophy of will which stems from their loss of free choice. Ruler and ruled alike are corrupted in the process.

Power Breeds Weakness

So long as government is viewed as an agency through which virtue and happiness for the individual may be attained, so long as governments are viewed as causes rather than effects, so long as individuals believe that self-responsibility may be escaped through retreat to the collective ethic, power will be rampant in our society. As the state grows more and more powerful, the individual citizen will tend to grow weaker and weaker. Paul Poirot's paraphrase is quite as true as Lord Acton's original dictum, "Weakness tends to corrupt and absolute weakness corrupts absolutely." The double standard of morality which allows a person to endorse collective action which he would not perform as an individual is perhaps the greatest corruption of all since, in the words of Edmund Burke, "the number engaged in crimes, instead of turning them into laudable acts, only augments the quantity and intensity of the guilt."

Human freedom is not the power to do whatever we like, but is the privilege of being able to do as we ought. The free society is the society in which each individual voluntarily says, "I am my own responsibility."

"Positive Action"

The modern collectivist tends to view the society around him as an accumulation of "various problems" which must be "solved." Usually such "solutions" involve

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the coercive exercise of centralized power. Unless man is to achieve a heaven on earth, we have no reason to suppose that all human shortcomings are capable of solution. In fact, to assume that such perfection could be achieved is precisely the sort of thinking which removes God from philosophy, substituting man as "the measure of all things." Numerous problems doubtless exist, however, which freely working human creativity can solve if the individual, voluntary, institutional wellsprings of human progress are allowed to flow.

It is sometimes suggested that the libertarian/conservative is "against progress" or unconcerned with the hardships of others. In actuality, of course, all men of good will share the same goals of peace and prosperity. The difference between the collectivist and the anticollectivist mentality at the present moment in history is based on two libertarian assumptions: (1) Freedom is the best problem-solving device; (2) The largest "problem area" of our time is the tremendous concentration of power, with all of its corrupting influences upon our society, that has occurred as a direct result of the collective ethic. Thus, the collective mentality is not a problem-solving device but instead is our principal problem!

Those who would plan all social action are confronted with the unpredictability of human action. Because of this unpredictability, such planning does not work in practice. More important, such planning interferes with the growth of creative capacity which can only be achieved by the free individual.

There can be little doubt that man owes some of his greatest successes in the past to the fact that he has *not* been able to control social life. His continued advance may well depend on his deliberately refraining from exercising controls which are now in his power. In the past, the spontaneous forces of growth, however much restricted, could usually still assert themselves against the organized coercion of the state. With the technological means of control now at the disposal of government it is not certain that such assertion is still possible; at any rate, it may soon become impossible. We are not far from the point where the deliberately organized forces of society may destroy those spontaneous forces which have made advance possible.[12]

A Negative Approach

Those who oppose further state intervention in our society are branded as having only a negative program since specific "plans" and

[12] F. A. Hayek, *The Constitution of Liberty* (Chicago: University of Chicago Press, 1960), p. 38.

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"solutions" rarely are offered in rebuttal to the collectivist approach. But it is this very unplanned quality of human freedom and creativity which is the ultimate problem-solving device. New problems exist in our society? Then strike off the stultifying controls emanating from the coercive exercise of centralized power, leaving men free to deal with these problems (problems which, incidentally, in large part have their origins in the very exercise of coercive power which was originally exercised in the name of solving some other "problem").

The choice is clear. If all the areas of individual creativity were pre-empted by the planned, collective society, our society would face extinction. As the cartoonist suggested when he depicted one Russian bureaucrat speaking to another, "When all the world is communist, where will we get wheat?" Where, indeed, will the stuff of life be produced if the dead hand of centralized control ever perfects its grip upon our society?

It is often admitted by advocates of the planned society that freedom does produce material gains. The complaint then leveled against the free society is that these material gains go only to those most able to produce, leaving the poor and the underprivileged at the mercy of "exploitation." Yet, it is in the voluntary and benevolent actions of a free society that the individual citizen is most capable of helping himself and most readily helped by others. It is the repressive effect of the centralized state to curtail production and block the paths to self-improvement for those most in need. Not only is Peter discouraged from production when he is robbed to pay Paul, but, in the bargain, Paul is made the perpetual ward of the state.

Authority and Power

In reality, it is not the libertarian who is negative in his outlook. Rather, it is the modern collectivist who has lost faith in the people to pursue their own affairs without coercion, control, and constant detailed direction. How, then, may this corrupted and corrupting centralized power be checked in our society?

Somehow, Authority and Power must be separated. Medieval man understood that Authority ultimately was God, while Power was only a secular device. It is this distinction that modern politics fails to make. Thus divorced from a proper view of human nature and the human situation, the idea of "man as God" and the accompanying spread of coercive power have grown steadily. Coercion, be-

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ing negative in effect, has caused some men to oppose it.

But when man talks only about "freedom from coercion," and does not relate this to a *total* integrated view of human nature, he remains at the mercy of coercionists. The coercionist has the plausible argument at his disposal that freedom works in the abstract realm of theory, but that certain immediate goals can be reached by some "beneficent" coercion. The anticollectivist who sees *only* "freedom from" finds no argument to carry the discussion from such short-range goals to the long-range view of human existence in its totality. "Freedom from," as a means of achieving what the human spirit can do, once free, is perfectly correct, yet unpersuasive until it is used in pursuit of the *long-term goal of human existence,* self-transcendence of the individual spirit.

Just as the coercionist remains trapped on the short-term level in economics, doomed to repeat his basic mistake again and again, the thinker who sees no greater goal than "freedom from" will also remain trapped on the short-term level, doomed to carry on his endless arguments about means with the coercionist; he can only escape when he moves beyond the reach of the coercionist (where force can *never* go) to recognize the necessity for individual self-transcendence.

To limit power, man must recognize a source of authority above men: God. ◈

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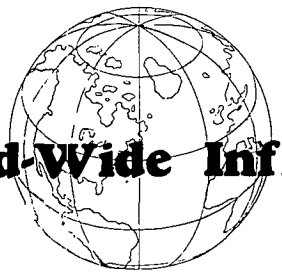

World-Wide Inflation

IT IS not only the United States that is troubled by inflation. The disease is world-wide. And it grows more virulent, not less.

This is made clear in a table just published by the First National City Bank of New York showing the currency depreciation in 45 countries, last year and over the last 10 years, as measured by cost-of-living indices.

The value of money declined faster last year than in the decade as a whole in 29 of the 45 countries. For the 1956-66 period, the median rate of depreciation of money in the 45 countries was 3.4 per cent a year, which means a loss of almost a third of the purchasing power of the currency in the full 10 years.

The American dollar lost 2.8 per cent of its purchasing power in 1966. This was a greater depreciation than occurred in many small or relatively impoverished nations, such as Guatemala, Honduras, Austria, and Nationalist China. Iran's currency actually showed a slight appreciation, the only one to do so.

This shows that neither small size nor national poverty necessarily prevents a strong currency any more than great size or national wealth assures one.

Most of the worst currency depreciations in 1966 occurred in South America – 18.6 per cent in Chile, 24.2 per cent in the Argentine, 31.8 per cent in Brazil.

The very worst depreciation reported for the year – 38.6 per cent – was in Vietnam. The City Bank by implication attributes this inflation to a food shortage, especially the "rice panic." Yet the main explanation for the sharply lower purchasing power of Vietnam's money unit was the same as everywhere else: the government printed too much money.

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In late 1965 and early 1966 the exchange rate of the Vietnam piastre was practically cut in half, from 60 to the dollar to 118. The quantity of piastres was increased from 27 billion in 1964 to 48 billion in 1965 and then to 65 billion in 1966.

At the end of 1966 the U.S. dollar bought only 84 per cent as much as it bought 10 years before. On the same 10-year basis of comparison Belgium's currency bought only 80 per cent as much, West Germany's 79, Switzerland's 78, Britain's 74, Italy's 72, Holland's 71, Sweden's 68, Japan's 66, France's 62, India's 57, Spain's 49, Chile's 10, Argentina's 6, and Brazil's only 2 per cent as much.

There were a hundred alibis for this depreciation, a separate set for each country, but the real reason was everywhere the same: the government printed too much money.

Sometimes the excuse has been a "scarcity of goods." This excuse shows no correlation with what happened. Guatemala certainly has a relative scarcity of goods, but its currency has not depreciated at all in the last 10 years. In other countries the index of production has been soaring, yet the currency unit continues to buy less.

"War" is a favorite alibi for inflation, but the worst inflations in the last two decades have been in countries, as in South America, that have not been at war.

The truth is that inflation is always an act of government. It is a consequence of printing too much money.

Governments usually print the extra money because they spend more than they take in. And they spend more than they tax and try to live beyond their means because they are entranced by the vision of the welfare state.

This policy bears other seductive names – Expansionism, Growth, Planning, and, in the United States successively, the New Deal, the Fair Deal, the New Frontier, the Great Society. But it always means inflation, depreciating money, a further drift toward monetary chaos. ◈

EDITOR'S NOTE: For a classic history of inflation during the French Revolution with vital lessons for our time, see Andrew Dickson White's **Fiat Money Inflation in France**, with foreword by Henry Hazlitt. Available from the Foundation for Economic Education, Irvington-on-Hudson, New York 10533. $1.25 paper; $2.00 cloth.

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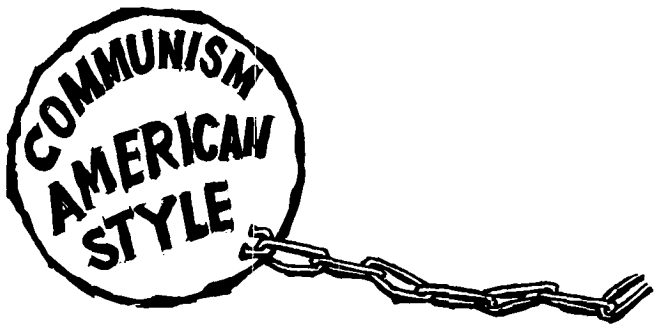
BEN MOREELL



AMERICANS have been alerted against an undefined "communism." But many have not been alerted against the specific measures which, taken together, *are* communism. So, unknowingly, they accept the heart of the communist doctrine, which is the enhancement of centralized state power at the expense of the natural rights of the individual; the right to life, the right to liberty, and the right to acquire, own, enjoy, and freely dispose of one's honestly accumulated property.

Like most Americans, I began by hating Russian communism because it is an evil thing which wars against the best in human nature. Its followers invented a new code of morality which elevates lying, murder, and treason into primary virtues, whenever these are thought to further their goals. They would deny our religion, trample on our political liberties, and put our economic activities in a strait jacket. They would stratify society into an elite of brutality riding herd on the rest of us. History shows that wherever communists achieve power they institute secret police, slave labor camps, and despotic control of every phase of human life.

Recently, I undertook a study of the *Communist Manifesto* of 1848, to determine whether these evil practices are an integral part of their basic creed. That study led to two important discoveries: first, that the cruel methods and despotic practices of communism are essential to make their system function; and second, that there is a remarkable parallel be-

From Admiral Moreell's acceptance speech for the Freedom Award of the Order of Lafayette, Washington, D. C., May 27, 1967.

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tween the ten planks of the Manifesto and the things *we have been doing to ourselves* during the past half century! From my studies, I concluded that since Marx expounded his doctrine 119 years ago, we Americans have adopted, in some degree, every plank of his platform; and this process has accelerated markedly in recent decades!

Communism with a "made in Moscow" label is not popular in America. It doesn't need to be, if only we can be induced to accept Marxism under some other label. This we are now doing. Similar things have happened before as the great churchman, Dean Inge, warned us:

> History seems to show that the powers of evil have won their greatest triumphs by capturing the organizations which were formed to defeat them, and that, when the devil has thus changed the contents of the bottles, he never alters the labels. The fort may have been captured by the enemy but it still flies the flag of its defenders.

We Americans have been running away from the spirit and principles of our own Revolution in order to embrace an alien program saturated with Marxism. We are under the delusion that there is some safe middle ground between the idea of freedom, on the one side, and communism on the other. But the danger of the "middle-of-the-road" position, as former President Hoover once remarked to me, is that "you get hit by the traffic in both directions." If we are really opposed to Marxism, there is only one place to take a stand and that is with freedom, which makes no compromise with communism, however it may be disguised!

The great political scientist, Wilhelm Roepke, architect of the economic renaissance of West Germany, stated:

> We should stand for a free economic order even if it implied material sacrifice and even if socialism gave the certain prospect of material increase. It is our undeserved luck that the exact opposite is true. More important, the free economic order is indispensable as the prerequisite of liberty, human dignity, free choice, and justice. That is why we want it, and no price would be too high for it, even if the communists would make bigger and better washing machines.

A National Tragedy

It is tragic that we Americans are so divided on this issue. Many of us have failed to weigh the philosopher's question, "If men use their liberty in such a way as to surrender their liberty, are they thereafter any the less slaves?"

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We have casually surrendered liberty in the economic sphere, forgetting the old adage, "Whoso controls our subsistence controls us."

"Economic control," said the economist Hayek, "is not merely control of a sector of human life which can be separated from the rest; it is control of the means for all our ends."

Slavery is commonly thought of as ownership of one man by another. But no slaveholder would quibble about owning the man if he can own the products of the man's labor. A slave is a person to whom economic freedom is denied. From this premise, the denial of all other freedoms follows.

The total tax "take" by all levels of government is now in excess of 40 per cent of the national earned income! This is a valid measure of the erosion of our freedoms.

If the increasing power of the centralized state does not frighten us, then we get our ulcers from some of its by-products: corruption in high places, the growing crime rate, juvenile delinquency, indifference to our time-tested spiritual, moral, and cultural values, oppressive taxation, and a succession of foreign crises from each of which America emerges bearing the onus of another "defeat by appeasement."

It is pertinent to recall the prophecy of the great English statesman, Macaulay, in 1857. Addressing himself to America, he said:

> Either some Caesar or Napoleon will seize the reins of government with a strong hand, or your Republic will be as fearfully plundered and laid waste by barbarians in the twentieth century as the Roman Empire was in the fifth—with this difference, that the Huns and Vandals who ravaged the Roman Empire came from without, while your Huns and Vandals will have been engendered within your own country and by your own institutions.

Recovery of Moral Values

Is there a way ahead which will take us out of this morass? Is there a way to recover the sanity and balance which once marked our life? I believe there is. But it is not by means of political legerdemain. It has been pointed out by Dr. Ralph Hutchison, former President of Lafayette College:

> Our common ideal is that these laws of God, these rights of man, these responsibilities of the individual to the social order should be preached and taught, but not otherwise forced upon the minds and consciences of the human race. "Go ye into all the world and teach all nations," was the last command of the Master. To force men into ways of righteousness by police powers, to legislate them into social progress by laws, to brain-

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wash them from their evil ways, to torture men to the confessional, to hypnotize the social order with mass psychiatry, to terrorize them into discipline, was never the Creed of Spiritual America. Education by conviction has been our ideal. The teaching, persuading mission, we believe, is the way of social reform.

I do not imply that there are no problems peculiar to the economic and political levels. But if men are not right at the deeper level, in their understanding of the nature of the Universe and man's position therein, they can tinker with economic and political problems from now until doomsday and still come up with the wrong answers.

It is a case of putting first things first, and the very first thing is a rehabilitation of those spiritual values which are basic to the American dream.

"The God who gave us life," Jefferson observed, "gave us liberty at the same time."

We cannot defeat the forces of evil if we feel compelled to adopt their practices even though this be done gradually, in increments too small to arouse suspicion.

The final battle will be fought in the arena of spiritual realities. The forces of self-disciplined, morally responsible individualism will be arrayed against those of atheistic, coercive collectivism. It is my prayer that, in this Armageddon, *Americans will be found fighting on the side of a just and merciful God.* ◈

IDEAS ON LIBERTY

Human Resources

BUREAUCRATS speak of developing "human resources" as if the abilities of human beings were the property of the state. The state, however, is the creature of human beings and exists for the convenience of man, not man for the state. Rather, man is the creature for which everything else is a resource. As the Scripture says, "Thou hast put all things under his feet. . . ." (Psalm 8:6)

JAMES C. PATRICK
Decatur, Illinois

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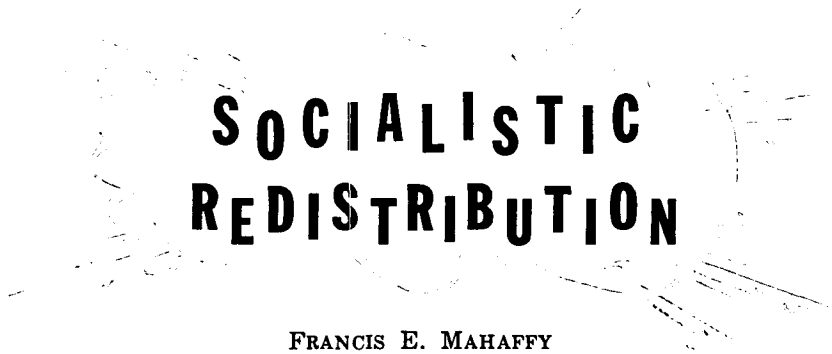
THE FRUIT OF COMMUNISM:



FRANCIS E. MAHAFFY

THE COMMUNIST REVOLUTION is spreading apace over Asia, Africa, South America, the Middle East, and even our own land. This has stimulated effective oratory and well-documented books aimed at alerting our citizenry to the godlessness of the philosophy and the bloodiness of the revolution at the core of communism.

Sometimes, however, those who denounce the violence of the communist revolution support the economic aims of the communists in the redistribution of the wealth by the power of the state and thus give aid and comfort to the enemy they are combating. Others -- including an increasing number of influential clergymen — recognize that the economic aims of socialism cannot be attained apart from violence and so join in advocating the bloody revolution.

Profound scholars have clearly pointed out the economic fallacies and follies of socialism but their works have been neglected. Too few see the relationship between the philosophy of the communists and their economic goals. Few also recognize the fact that these economic ends demand a philosophy of violence in order to attain them. The communist threat to our civilization makes it imperative that we deal both with the underlying philosophy of communism and also with its economic end of redistribution. Only thus may we be prepared to offer a

The Reverend Mr. Mahaffy has served since 1945 as a missionary of the Orthodox Presbyterian Church in Eritrea, East Africa.

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viable alternative to communism.

Confusion exists as to precisely what communism is and how it differs from socialism. Karl Marx, the father of socialism, designated his views "scientific socialism." "Communism" was originally used to describe the utopian state reached after the economic factors of production had so changed man and his environment that classes and conflict no longer existed, the state had withered away, and men lived in harmony on earth. This was to be the final synthesis arising out of the conflict between the capitalists and the working class. Socialism, which involved an absolute dictatorship, the dictatorship of the proletariat, was to be a temporary and intermediary stage which would lead to full communism. Communism in this sense has never existed and never will.

Marx and others, however, also spoke of their revolutionary movement to effect socialism as communism. Communism today refers essentially to the Marxist ideology and may be described as a means of inaugurating socialism. All communists are socialists. Communist Russia is designated, "The Union of Soviet Socialist Republics." On the other hand, not all socialists are communists. In fact, many socialists vigorously repudiate the open violence of the communists. Also, communists generally reject such socialists as not true Marxists. Both, however, agree in supporting the main end of socialization of the means of production. Both want to abolish (though there are degrees of thoroughness of this abolition) private property, and substitute for it state ownership in the means of production.

Karl Marx, however, reached his conclusions on the basis of a specific philosophical position. This basic philosophy has become the driving force behind communism. Some reject this atheistic, dialectical philosophy and yet support socialism for other reasons; even some Christians claim that it is a system in accord with the Word of God. Basically, the economic ends of communism and socialism are identical, though the underlying philosophies may differ.

The "Scientific Socialism" of Marx

Karl Marx was an atheist before he was a communist. He said, "Religion is the opium of the people. I hate all gods." The idea of God and all religion was for him the result of the attempt of people to compensate for their own defects and weaknesses. This atheism of its founder constitutes an integral part of the communist teaching. In communist lands there is a systematic attempt to stamp out all

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religion, especially Christianity. At particular times it may suit their ends to let up temporarily on their persecution, but even that is toward the end of weakening its defenses and promoting its final destruction. Atheism is taught in the government schools; other schools are prohibited or drastically restricted. The church is tolerated or subverted and used to advance the ends of communism. Because communism is militantly atheistic, there can never be a *modus vivendi* between Christianity and communism for they are two hostile religions. While Christians tolerate atheists and consider it their duty to seek their conversion to Christianity, the communists seek the utter destruction of Christianity.

This blatant atheism of the communists helps explain the violence of their activities. There is no God to whom they consider themselves responsible, no divinely given moral code or law as the norm for acceptable ethical conduct; whatever promotes the ends of the communist cause is moral. This rejection of Christian morality and all God-given standards accounts for the fact that one cannot deal with a communist or a communist nation as he would with a person or nation where God is feared. When the nations learn this important truth, there will be fewer unholy alliances with such godless powers.

Dialectical Materialism

Karl Marx also based his socialistic views on dialectical materialism. Unlike the philosopher, Hegel, who was an idealist and advocated a spiritual monism, holding that reality was spiritual in nature, Marx held to a dialectical materialism, contending that reality was material. Hegel taught that God reveals himself in history in a dialectical process. One historical movement constitutes the thesis which gives rise to its conflicting antithesis. Out of this conflict emerges the synthesis which takes that which was valuable in the thesis and antithesis and forms a higher stage of the manifestation of the Absolute. Marx adopted a dialectic explanation of history but held that the thesis, its antithesis, and the synthesis which arose from their conflict were the result of material economic factors. The culmination of history for Marx and the communists would be the result of the antithesis between the capitalists and the workers which would erupt in a violent bloody revolution which would in turn usher in the synthesis of socialism. This dialectic underlies all their thinking.

Dialectical materialism, in its

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denial of God and assertion that all is matter, in reality sets up an idol god. Man is the highest form of matter and the communist state the highest expression of his material brain. Thus, God is replaced by the state. This state becomes the recipient of the honor of the citizens and the absolute master of their lives, though there is no logical reason whatsoever why the dictator and his cohorts who constitute the state should be a higher manifestation of matter than any individual within that state. This state grants to the individual slaves under its rule the right to live. It controls all property and parcels it out according to its own whims. Thus, the state becomes the father and God to the subject. It is not a crime in Russia or Red China for the state to slaughter millions of people who are deemed to interfere with the progress to socialism. The state becomes God. Atheistic communism is in a real sense a religion, albeit the diabolical religion of state worship.

Economic Determinism

Closely related to dialectical materialism is the doctrine of economic determinism advocated by Marx. Man's life, his thoughts, his class, and even his religion are determined by his economic environment. Such a concept logically would destroy all responsibility. Without responsibility man is no longer man. Yet communism holds men responsible, not to God or to a divine law or norm, but to the Communist party and state. They have no right, however, on their own premises, to hold men whose thoughts and even religion are determined by their economic environment responsible to any other man whose thoughts and life are also economically determined.

The Marxian and communist philosophy is also characterized by a utopian idealism. There is no room in the system for this idealism, yet this is the end toward which the dialectical process relentlessly drives with the irresistible force of an inviolable logic. In this classless and conflictless society, human nature is so radically changed by the material factors of production that all is well. Marxian idealism pictures a material heaven on a material earth with men who are no more than matter living together in perfect peace and harmony. Yet, a heaven without God, without morality, and with no hope of anything but the dust at death is in reality a picture of hell.

The institution of the family on which our civilization has been built has no place in the communist society. This godless phi-

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losophy denies all Christian morals, approves mass murders and the perversion of sex. Deceit, thefts, and blasphemies form a part of this vicious system. Surely, no Christian could for a moment support it! To describe it, and this description accords with the description of the communists themselves, is sufficient to condemn it. Communism is built on a philosophy antithetical to the principles upon which our civilization has been built. Should this philosophy prevail, that civilization cannot endure for long.

Rejection of Moral Absolutes

The economics of the welfare state socialists is not significantly diverse from that of Karl Marx. Whether consciously so or not, both spring from an underlying philosophy which denies moral absolutes. This philosophy may or may not be Marxian; in either case it substitutes for the Moral Law of the Creator a relativistic standard of man. When leading churchmen adopt the philosophy of violent revolution to attain their redistributionist ends, their underlying philosophy closely resembles that of Marx. Both reject the right to private property and thus the right to life.

Marx's tome, *Das Kapital*, deals with economics. Marx did not like the way he found wealth distributed and proposed the solution, "From each according to his ability; to each according to his need." The rationale for his objection to the distribution of property he found in his labor theory of value, surplus value, and exploitation by the capitalists of the working class. He contended that the value of a product was determined exclusively by the labor that went into it. The capitalist who hired the laborer, on the other hand, refused to pay him the full value of the product but retained "surplus value" for himself in the form of profits. Since the laborer was not getting his due from his employer, a conflict necessarily arose. The solution to this conflict, according to his dialectic, lay in the revolution of the exploited laboring class against the capitalists which would result in the dictatorship of the proletariat and the eventual communism of the classless society.

It has been clearly demonstrated (see Böhm-Bawerk's *Capital and Interest* and Ludwig von Mises' *Socialism*, as examples) that Marx's theory was erroneous. Marx made the serious mistake of failing to take into account the time element in production. What he demanded was the present value of a product which would not be finished until later. Also, he erred in his idea that labor was the sole

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source of value. He selected his data to "prove" his case and ignored a vast amount of data that refuted it. Such biased selection and manipulation of data characterized much of his writings.

Once, in the midst of a blistering African desert on the backs of plodding camels, my co-worker and I came to the unhappy discovery that the guide we had hired for the trip had never previously seen that country. Uncertain of *when* or *if* we would reach a source of water, our meager supply suddenly increased in value. We would not have exchanged our jerry tin of water for the price of a camel. Value, contrary to Marx, does not reside in the object itself as the product of labor-hours but is subjective; it is what the prospective buyer or seller is willing under the particular circumstances to give up in exchange for the object.

Savings Benefit Laborers

In the United States and other countries where between 85 and 90 cents of each dollar a product realizes goes to the laboring man who helped produce it, it can hardly be said that the laborer has been exploited. It is often ignorance of the percentage the laborer actually receives that leads to this conclusion. Besides that, much of the remainder goes to purchase better machines and to build up the business which will result in cheaper products and more people employed. About $20,000 has been invested to provide for each job in our land.

This is something radically different from the concept of exploitation condemned by Marx and the socialists. The reason wages are lower in many parts of the world is because there is a lack of capital invested to provide the tools for production on the farms and in the factories. This capital must come either from the savings of the people or from outside investment.

To have to depend solely on savings is a slow painful process accompanied by much suffering, long hours of work and low wages for a long time until sufficient capital is accumulated. This accounts for the suffering, child labor, and long hours of hard work in England in the early days of the Industrial Revolution. There was no other way at that time to transform an economy from a more primitive form to a more advanced industrial economy. This, and not exploitation, accounted for much of the suffering in those days.

The other method to hasten the transformation from a primitive to a more advanced industrial economy is by the investment of foreign capital. This, however, re-

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quires honest and stable government, lack of oppressive taxes, a reasonable hope for profits along with the conviction that there will not be government expropriation of the factories or of the profits of the investors. The lack of such conditions largely accounts for the continued low standard of living in many parts of the world. Yet, communism and socialism prevent the formation of capital by their ideas of redistribution. The philosophy of socialism keeps the world in a state of poverty, war, and chaos.

Privilege Based on Coercion

The end of communism and also of socialism is the redistribution of property by the coercive power of the state. The communists propose to effect this by violent revolution which aims at bringing the whole world under the iron heel of communism and reduces men to slaves of the dictator. The high concentration of power necessitated by the pursuit of this objective almost certainly and ironically precludes the attainment of this end; hence, communism in reality, by eliminating one class, substitutes for it a privileged class. This class attains its privilege, not on the basis of its merits or the will of the people, but by violence. Hence, the inevitable tyranny of communism.

The more moderate socialists reject such open violence but seek the same ends by more peaceful means. Yet, let it never be forgotten that the difference is only a matter of degree; there is no difference in principle.

The socialist program calls also for violence, though less naked violence than that of the communists. The communists annihilate the opposition; the socialists merely confiscate their property. Both lead, at different paces, to the absolute dictator, for the socialist redistribution cannot be effected apart from the dictator. Socialism requires that the distribution of the wealth be according to a single plan—one man's will. This can be effected only by force, or the threat of force, which is the same thing.

It is naive in the extreme to think that the economic control demanded by communism and socialism will not also include control of the lives of the people. Freedom of religion, travel, speech, and political freedom are inseparable from economic freedom. Control the economy, and you effectively control the lives of the citizens. Economic freedom means the freedom to seek to satisfy one's material needs. Economic activity consists essentially in the scaling of our wants to determine which ones have priority. This

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scaling, however, is related always to our ultimate ends; hence, economic activity cannot be isolated from the spiritual realm.

The socialist control of the economy involves the control of man's basic freedom of religion and of expression. The press is controlled by the control of property such as buildings, type, and paper. Religion is controlled by regulating the use of church buildings, religious publications, transportation, and taxes. The pulpit and its message are controlled by economic restraints on those who oppose the communist ideology. Minds are directed by prohibiting the use of books not approved by the government, by making all education state education, and by providing lucrative jobs for those who follow the party line. The socialist state, as Great Britain discovered, in order to effect socialism has also to control labor. Workers are not permitted freely to move or to change jobs. Even today, advertisements in British publications are restricted in order to prevent highly trained men from leaving British soil for more lucrative employment abroad.

Once you give to the state the ownership of the means of production, as socialism demands, you have given it the power which if fully exercised will result in complete control of the lives of the people. The communists recognize this and openly advocate the absolute dictator. Socialists try to avoid the implications of their position; they strive for economic control while retaining a semblance of religious and other freedom. The logic of this position, however, inevitably leads the followers of both camps down the same road to slavery; except that the communists arrive there sooner than the socialists. Their early arrival makes it easier for them to eliminate the socialists and others who refuse to accept the full implications of the communist position.

A Distortion of Justice

The stated end of socialism of the communist and noncommunist types is the increased welfare of the people through forceful redistribution of the wealth by government. The means chosen to effect this end, entirely apart from the obvious moral issues involved, are incapable of effecting the desired goal. It is as though a tribal chief from Africa should set out by mule to reach New York. His intentions might well be the very best; the fact would remain, however, that the method chosen to achieve his end was inappropriate.

The confiscation and redistribution of property in socialism can never effect improvement in the

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general well-being of the masses, as has been amply demonstrated wherever socialism has been tried. Socialist states exist today because their bankrupt economies are bolstered by the largess of the capitalist countries. Eliminate that aid, and socialism will die. It will either be replaced by a freer society or revert to primitivism and starvation.

The socialism of Russia and of the welfare states involves coercive redistribution and thus necessitates the imposition of the will of one man upon another. The rule of law is replaced by the rule of man. Right becomes what the leaders or rulers in the state judge to be the proper distribution. This is a radical perversion of a justice which regards all men alike under the law. Just as it is theft for the individual to steal, so it is theft for the state to redistribute. Justice is blind. It has no respect to the person, wealth, position, race, sex, or learning of the individual. Perversions of this Christian concept of justice lead to advocacy of socialism. Socialism by its nature, denies the validity of such a concept of justice and substitutes for it the rule of the strong man who defines right and wrong by his own concept of who ought to receive what. Socialism, in its efforts to make men economically more equal, must treat them unequally, taking from some to give to others. It is acceptance of this distortion of justice which leads to the moral decay and increasing violence in the world. Those who support socialism thereby contribute to the rotting of the moral fiber of our nation.

Not only is it necessary to reject the underlying godless philosophy of communism; it is just as imperative that we reject the economic principles of socialism. Both deny the right of the Creator to set the norms of conduct in his creation. Marxism is characterized by a professed atheism; socialism by a practical atheism. Those who adopt the redistributionist principles of socialism have thereby forfeited their right to condemn the philosophy of violence of the communists. ◈

IDEAS ON LIBERTY

False Freedom

THERE is an important difference between having freedom and having "free" goods and services. Whenever goods and services are "free," the people aren't. The government which gives goods and services for nothing must force people to work for nothing.

J. KESNER KAHN

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STALEMATE IN KINGSPORT

SYLVESTER PETRO is a teacher who knows the ins and outs of labor law, and he has written many first-rate books and articles about the place of unions in a free society. But, as he says, most of his earlier work could have been done in a study and a law library. His latest book, *The Kingsport Strike* (Arlington House, $5.00), represents a "new Petro," for much of it consists of material gathered on the spot in the Appalachian town of Kingsport, Tennessee, either on the picket lines of the five unions which have been striking the Kingsport Press since 1963, or in union halls, restaurants, homes, or the offices of executives. What we have here is Petro, the reporter (and a very good one), in addition to Petro, the legal philosopher.

Petro has tackled this particular job of reporting with a mind singularly free of clichés. Although it was apparent to him almost from the start that it was a particularly stupid strike, he approached the strikers as human beings who have the normal human attribute of pride, which can make people persist in ineffectual action for the noblest of motives. In the same even-handed way he resisted categorizing workers who decided to go back to the shop and who crossed the picket lines, or who took the jobs of last-ditch strikers, as "scabs" or "rats." He capped all this by putting the hardest of questions to the Kingsport Press management, and to those among the national officers of the five unions who were willing to talk with him. The book grows out of recorded conversations and eye-witness descriptions. So direct and circumstantial is Petro in his reporting that the reader must believe him when he says, in conclusion, that the Kingsport strike was a vast mistake which a majority of the workers at the press did not desire. It has been kept going by the national leadership of the printing trades unions for reasons which have very little to do with local desires in the Kingsport, Tennessee, area, which happens to be an island of comparative affluence in a mountain region which qualifies generally as a depressed area.

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Acting Without the Facts

What were the reasons given for the strike in the first place? Petro talked with Jack Rhoten, a pressman who was still out in 1965, two years after the strike had been called. Jack had been making at least $10,000 a year in top day-shift pay, overtime, fringe benefits, and the profit-sharing plan. He had listened to some of the men who were upset over promotions, but he himself had no gripes at all. He loved his work, and to the very end he was convinced that there would be no strike. He explains the 500-to-30 strike vote as one that was "intended only to give the union a firmer bargaining position." Petro's suspicion is that Jack Rhoten was among the thirty who opposed giving the leadership a blank check, though he never could bring himself to ask Rhoten how he had voted. Jack Rhoten despises those who agitated vehemently for the strike before it started and then went back to work, but he does not resent the return to work of those who never wanted the strike in the first place. Petro surmises that Jack has stayed out himself because he shrinks from "the sustained act of living as a 'scab' in a community in which a large proportion of his acquaintances either stood on the picket line or had family members there." In other words, Jack Rhoten is trapped by an attitude that dates back to an era in which unions were few and weak and needed to cultivate the idea that, like a nation, they were entitled to loyalty no matter what they did.

Charlie Heffner, the former professional ball player, would never have complained over money any more than Jack Rhoten. But he had listened to union leaders who were spreading the rumor that the company was going to try to strip the older men of benefits acquired through seniority. Charlie had been working nights for thirteen years, and he was in line for a steady day job. So, out of fear and anger over the prospect of losing seniority, he went out on strike "full of conviction." He was one of the noisiest among the pickets, bolstering morale "like a shortstop keeping the chatter going to raise his own and others' spirits."

To augment his strike benefits he did a good deal of baseball umpiring, going as far afield as Allentown, Pennsylvania. One day an old high school friend in Allentown who ran a print shop asked Charlie what he had been making in Kingsport. When Charlie said that he often made $11,000 a year, and when he explained about the profit-sharing plan, the friend said, "What the hell are you

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striking about?" "That," said Charlie, "shook me up." He was even more shaken – in fact, he was virtually torn loose from his union moorings – when he found out that at the very time when the union leaders were telling him that he was in danger of losing seniority privileges, the president of the Pressmen's Union and the management of the Kingsport Press had already jointly initialed a new seniority agreement. "I trusted them," said Charlie of his leaders, "and they lied to me." So Charlie, always a man to stand on his own feet, stopped picketing and, after much soul searching, went back to his job. Fraud, he argued, releases a man from any contract, even one with his union.

Outside Interference

After many talks with the Jack Rhotens and the Charlie Heffners, and with Kingsport Press management people like Ed Triebe, the company president, and Cliff Fritschle, the vice-president for industrial relations, Petro was convinced that local conditions were not enough to justify the strike. There had obviously been some failure of communication between management and the workers in the shop. And there was the conviction of Anthony J. DeAndrade, the national president of the Pressmen's Union, that the Kingsport Press represented unfair competition to firms in New York City and elsewhere in the North, which, supposedly, had higher labor costs.

As to the failure of communications, Petro comments on this in his concluding chapters. The great General Electric Company, following the policy of its famous vice-president, Lemuel Boulware, had long had an effective employee-communications program. But "Boulwarism" ran afoul of a deplorable ruling by the National Labor Relations Board which accused GE of "unfair labor practices" in talking directly with workers. Direct communications, said the Labor Board, amounted to "bargaining with the union through the employees" rather than "with the employees through the union."

Congress, of course, had never intended to trample on an employer's right of free speech (it had only forbidden threats and promises), but the obvious NLRB infringement of the First Amendment to the Constitution is, ridiculously, the law and will remain the law until it is reversed by a court of appeals. The point, insofar as the Kingsport Press management's failure to explain things to the men in the shop goes, is that if Cliff Fritschle, the Kingsport vice-president for industrial relations, had adapted "Boulwarism" to local

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Tennessee conditions, he would have been guilty of "unfair labor practice."

Wage Rates Were Competitive

As for the Pressmen's Union President Anthony DeAndrade's contention that the Kingsport Press must be struck in order to bring local labor costs into line with those in other sections of the country, it turns out that "DeAndrade just didn't do his homework." Petro discovered that Kingsport Press wage rates were higher, at the time of the strike's beginnings in 1963, than rates paid by similar plants in Bay City, Michigan, Brockton, Massachusetts, Cedar Rapids, Iowa, Reading, Pennsylvania, and many other towns and cities both north and south of the Mason-Dixon Line. The "pure wage rates" paid to printing trades workers in New York, Detroit, and San Francisco were higher than the Kingsport rates, but in San Francisco, for instance, both day shift hours and overtime were so limited that the weekly take-home pay of a San Francisco pressman was less than the total pay of many pressmen in Kingsport. The contention that "low Kingsport wages" menaced New York printers falls to the ground when we discover that total labor costs in Kingsport were on the high side, and that there were many other cities, all larger than Kingsport, with lower wage rates, some very much lower.

Hindsight, says Petro, establishes "that the strike should never have been called in the first place, and that the longer it went on the stupider it became." But, with the NLRB to back them up, union leaders persist in stupid strikes because they know that, with government help, they can win. ◈

▸ THE SOCIOLOGICAL TRADITION by Robert A. Nisbet (New York: Basic Books, 1966), 349 pp., $7.95

Reviewed by Gary North

IN 1953, Oxford University Press released Professor Nisbet's study, *The Quest for Community* (now titled *Community and Power*), a book which has become a classic in sociology and intellectual history. In it, Nisbet explored the effects of the Industrial Revolution and the French Revolution on European social and intellectual life. The loss of the sense of community, the disappearance of local ties, the collapse of traditional religious institutions, and the alienation found in modern urban life all combined to isolate the individual. The result, Nisbet argued, has been the quest for community which has given us modern radi-

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cal movements like Marxism, Nazism, and mass democracy.

The Sociological Tradition returns to many of the same themes. Nisbet has selected the years 1830-1900, since he believes that the foundations of modern sociological theory were laid in this period. He takes five basic themes – community, status, authority, alienation, and the sacred – and examines the treatment given to each by the major sociologists of the time: Tocqueville, Marx, Durkheim, Simmel, and Weber. Where relevant, he also discusses the contributions of other thinkers, e.g., Fustel de Coulanges, Ferdinand Tönnies, Comte, and Le Play.

It is the author's thesis that great periods of intellectual creativity come during epochs in which a transition is made between two major cultures. Fifth century Athens would be one example, at least in the areas of philosophy and drama. Nisbet calls 1830-1900 a "minor golden age" which resulted from the collision of traditional European culture with the "two revolutions" – the industrial and the French. All three streams of nineteenth century thought – conservative, liberal, and radical – found their focus in the effects of modernism on the old Europe.

The book is a detailed study of the writings of these early sociological thinkers, and as such it is enlightening and cogently organized. Beyond this survey, however, the reader is impressed with the profound changes that modernism has brought to Western culture, and the terrible problems that face us. How can we find a measure of freedom in a world which is experiencing the total bureaucratization described by Weber, or the expansion of egalitarian power which Tocqueville analyzed? How can modern men find meaning in a world so secularized that contemporary scholarship has rejected the quest for meaning as meaningless? How can society escape the "polar night of icy darkness and hardness" foreseen by Weber? Marx appealed to a total revolution which would bring social salvation through a regenerating chaos, yet even he ignored the vast problems which would confront the builders of a post-revolutionary world.

Nisbet does not attempt to answer these questions. But at least he has shown how these issues were handled by the founders of the sociological tradition, and how their various contributions have established the framework for twentieth century social science. While this book is more limited in scope and intent than *The Quest for Community*,

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and therefore less likely to have a comparable impact in the academic community, it is nevertheless a useful and even eloquent study of the sociological issues which concerned nineteenth century thought. The same problems are with us today, intensified by time and compounded by the coming of totalitarianism. In societies that minimize men's immediate and personal responsibility, how can men retain personal freedom? In a society which scoffs at the search for meaning, what can one expect besides the continual quest for power? ◈

▸ FREE MARKETS OR FAMINE. Edited by V. Orval Watts, Ph. D. (Midland, Mich.: The Pendell Co., 1967) 582 pp., fully indexed, $9.50.

Reviewed by Henry Hazlitt

THIS IS a collection of 63 readings on economic subjects from 41 authorities. It contains articles on the Industrial Revolution by Ludwig von Mises, on automation by Yale Brozen, on property rights by Murray N. Rothbard, on monopoly by Hans F. Sennholz, on labor by Sylvester Petro, on urban renewal by Martin Anderson, on the TVA by Dean Russell, on the farm problem by Karl Brandt, on half a dozen subjects by Professor Watts himself.

Most of the second half of the volume is drawn from material published by The Foundation for Economic Education.

The editor's immediate purpose in preparing this volume was to provide supplementary readings for economic courses at Northwood Institute in Midland, Michigan. Let us hope it will be used in many more colleges. A comprehensive textbook on economic principles is indispensable; but a volume of this sort, by numerous authorities on special subjects, is hardly less so, not only to put flesh and blood on an abstract theoretical skeleton, but to supply the authoritative detailed information in a score of fields that no single writer today can hope to command.

It is an added virtue of Dr. Watts' anthology that the selections are not made with the aim of presenting "both sides," or "all shades of opinion," but for the purpose of promoting a true understanding of the principles of capitalism, of the workings of the free market, of the necessity for limiting government and preserving individual liberty. For the purpose of making this understanding comprehensive, many of the selections are studies of the dire results which coercive intervention, however well-intentioned, has produced in one place after another where men have tried it.

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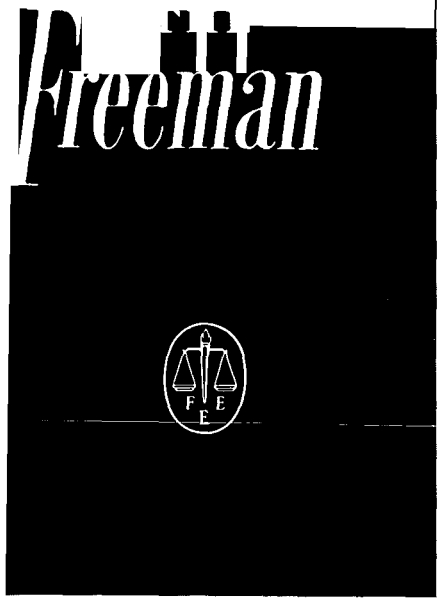

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